



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

September 4, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT FOR
THE YEAR ENDED JUNE 30, 2012**

Attached is the audit report on the financial statements of the Los Angeles County Flood Control District (District) for the fiscal year ended June 30, 2012, (Attachment I). The audit was conducted by an independent Certified Public Accounting firm, Moss, Levy & Hartzheim, LLP (Moss), under the Auditor-Controller's master agreement for audit services. Moss' management report and auditor's communication letter (management report) is also attached (Attachment II).

Moss report on the financial statements indicates that they present fairly, in all material respects, the financial position of the District, in conformity with accounting principles generally accepted in the United States of America. Moss' management report did not identify any deficiencies in internal control over financial reporting that they consider to be material weaknesses.

Please call me if you have any questions, or your staff may call Robert Smythe at (213) 253-0101.

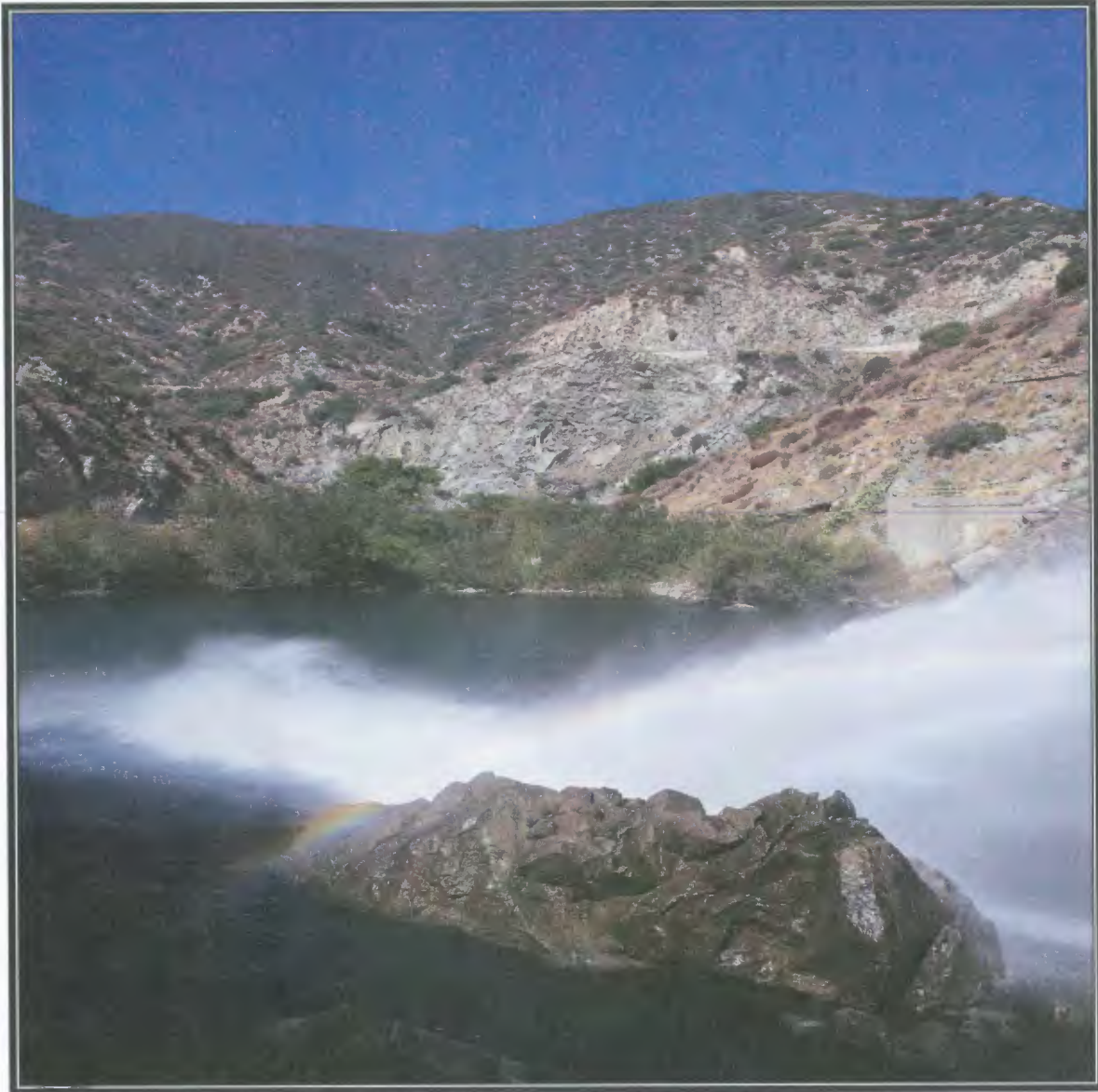
WLW:RS:MP

Attachments

c: William T Fujioka, Chief Executive Officer
Gail Farber, Director, Department of Public Works
Public Information Office
Audit Committee

Los Angeles County Flood Control District

(A COMPONENT UNIT OF THE COUNTY OF LOS ANGELES, CALIFORNIA)



Comprehensive Annual

Financial Report

Fiscal Year Ended June 30, 2012

Director Gail Farber



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Department of Public Works' Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	xi
Board of Supervisors and Contributing County Officials.....	xii
Department of Public Works Organizational Chart.....	xiii
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Fiduciary Net Assets – Fiduciary Funds.....	22
Notes to the Basic Financial Statements.....	23
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis.....	41
Notes to Required Supplementary Information.....	42

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

Table of Contents

	<u>Page</u>
Other Supplementary Information:	
Schedule of Changes in Assets and Liabilities – Fiduciary Funds.....	44
STATISTICAL SECTION	
Net Assets by Category – Last Ten Fiscal Years	45
Changes in Net Assets – Last Ten Fiscal Years	46
Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	48
Changes in Fund Balances, Governmental Funds – Last Ten Years.....	49
Bar Chart – Governmental Funds Expenditures and Revenues – Last Ten Fiscal Years.....	50
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years.....	51
Direct and Overlapping Property Tax Rates for Tax Rate Area #4 – Last Ten Fiscal Years.....	52
Principal Property Taxpayers – Current Year and Nine Years Ago	53
Property Tax Levies and Collections – Last Ten Fiscal Years.....	54
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	55
Ratio of Net General Bonded Debt – Last Ten Fiscal Years	56
Estimated Direct and Overlapping Bonded Debt.....	57
Computation of Legal Debt Margin – Last Ten Fiscal Years	59
Pledged-Revenue Coverage – Last Ten Fiscal Years.....	60
Demographic and Economic Statistics – Last Ten Years	61
Ten Largest Industries – Current Year and Nine Years Ago	62
Full-Time Equivalent County Employees by Function/Program – Last Ten Fiscal Years.....	63
Operating Indicators by Function/Program – Last Ten Fiscal Years	64
Capital Asset Statistics by Function/Program – Last Nine Fiscal Years ..	65
Photo Gallery.....	Appendix

Introductory Section



GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

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IN REPLY PLEASE

REFER TO FILE:

FI-4

December 27, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

We are pleased to submit the Comprehensive Annual Financial Report of the Los Angeles County Flood Control District (District) for the year ended June 30, 2012. The District is a blended component unit of the County of Los Angeles. The report contains financial statements prepared in accordance with Generally Accepted Accounting Principles (GAPP) for governmental entities and provides a comprehensive overview of the District's financial operations and financial position. The accuracy, completeness, and fairness of presentation of all information in this report are the responsibility of the District.

The Independent Auditor's Report is located at the front of the Financial Section of this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this transmittal letter and should be read in conjunction with it.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT AND ITS SERVICES

The District was established in 1915 under the Los Angeles County Flood Control Act. The District's powers are exercised through your Board acting as the District's governing body. The District's mission is to provide for the control and conservation of the flood, storm, and other waste waters of the District; to conserve such waters for beneficial purposes and to protect the harbors, waterways, public highways and private property within the District from flood and stormwater damage.

The District boundaries encompass approximately 2,752 square miles. The District operates and maintains one of the most complex systems of flood control and water conservation in the Country. The District's current infrastructure includes 14 major dams, 483 miles of open channels, 2,953 miles of underground storm drain conduits, more than 80,000 catch basins, 61 pump plants, 155 sediment entrapment basins, 253 crib dams, 29 sediment placement sites, 27 spreading grounds, 21 low-flow diversion structures, 1 constructed wetland, and 3 seawater intrusion barriers consisting of 290 injection wells. The District's major programs are categorized as Flood Risk Management, Storm and Recycled Water Recharge, and Watershed Health. These programs are described as follows:

- **Flood Risk Management** - This program includes the planning, operation, maintenance, and rehabilitation of flood control facilities, emergency preparedness, storm response, floodplain management, regulatory compliance, and public education.
- **Storm and Recycled Water Recharge** - This program includes the planning, operation, maintenance, and rehabilitation of water conservation facilities, regulatory compliance, and public education.
- **Watershed Health** - This program includes the compliance activities of the District as mandated under the Los Angeles County National Pollution Discharge Elimination System (NPDES) Permit. The District's responsibilities include conducting special water quality studies, water quality monitoring of the District's channel system, enforcement of an illicit connection and discharge program, and working with municipalities to implement control measures to reduce urban and stormwater runoff pollution.

ECONOMIC OVERVIEW

Continued population growth in the County will continue to increase demands on already limited water supplies. To address this demand, the District continues to look

toward expanding water conservation programs and identifying more opportunities for stormwater capture, treatment, and recharge.

The District's revenue stream is primarily supported by benefit assessment and property taxes. The County Assessor has released the Net Local Property Tax Roll for 2012-13 and it is 1.14 percent higher than the previous year. This marks the second consecutive year of increased assessed property values.

The District continues to seek grant opportunities to offset increasing costs, as well as partnerships and collaborative efforts with agencies and organizations to leverage resources. On November 7, 2006, voters approved California State Propositions 1E and 84, which allow the State to sell bonds for financing projects that will enhance flood protection and improve urban runoff and stormwater quality. To date, the Flood Control District has won \$20 million in competitive grant funding from Proposition 1E for its Santa Anita Stormwater Flood Management and Seismic Strengthening Project which included five elements: Santa Anita Dam Seismic Remediation/Riser Modification, Santa Anita Dam Spillway Modification, Santa Anita Debris Dam Seismic Retrofit, Santa Anita Headworks Rehabilitation, and Santa Anita Spreading Ground Improvements.

MAJOR INITIATIVES

FUNDING

In September 2010, the Governor of California signed into law AB 2554, an update to the Los Angeles County Flood Control Act, which provides the District with the authority to charge a clean water fee (subject to a proposition 218 vote) to pay for the cost of carrying out projects and providing services to improve water quality and reduce stormwater and urban runoff pollution. Revenue from the proposed fee would be allocated to three different programs: 10 percent to the District for water quality monitoring, planning/modeling, and administration including fee collection and certification/auditing; 40 percent to cities and County unincorporated areas to be used for those jurisdictions' water quality improvement programs; and 50 percent to Watershed Area Groups to implement collaborative regional programs at the sub-watershed level. Currently, the District is exploring options for conducting the Proposition 218 vote in Spring 2013 or Summer 2013.

FLOOD RISK MANAGEMENT

Dam Rehabilitation Program – The District has undertaken a program to upgrade its dams to meet current seismic and spillway requirements. The District has spent approximately \$157 million in construction costs for the Dam Rehabilitation Program

since the 1994 Northridge Earthquake. Anticipated future construction projects under this program include the Big Dalton Debris Dam, Santa Anita Dam, Santa Anita Debris Dam, and Sawpit Debris Dam. As part of the Santa Anita Stormwater Flood Management and Seismic Strengthening Project, the District is planning \$40 million in modifications to existing facilities along Santa Anita Wash. These facilities include the Santa Anita Dam, the Santa Anita Debris Dam, the Santa Anita Spreading Grounds, and the Santa Anita Headworks. The District is in the process of entering into a Proposition 1E Grant Agreement with the State Department of Water Resources for \$20 million in matching funds to complete these improvements along Santa Anita Wash.

Dams Inlet/Outlet Works Rehabilitation Program – As the District's dams continue to age, many of the inlet/outlet works and ancillary components such as flood control valves used for releasing reservoir water are coming to the end of their useful lives and require major maintenance, repairs, and/or replacement. Since 2009, when the program was initiated, the District completed or is now in the process of completing numerous inlet/outlet works projects totaling approximately \$25 million in construction costs. An additional \$45 million in inlet/outlet works rehabilitation projects is planned under this program over the next ten years.

Security Action Plan for District's Major Dams – The District started implementing physical infrastructure elements such as new hardened access gates and fencing, control house intrusion alarms, improved lighting, and other security features at select dams. These measures have been implemented at San Gabriel Dam and are in the process of being implemented at Morris and San Dimas Dams. The estimated cost of this program is \$1.5 million over the next five years.

Integrated Regional Water Management Plans (IRWMP) – This program, initiated by the State Department of Water Resources, brings together agencies and organizations with water resource interests to collaboratively address the water resource challenges in the County and surrounding areas. This collaborative effort includes the District, cities, water purveyors, water wholesalers, groundwater managers, environmental organizations, open space stakeholders, stormwater managers, and representatives from disadvantaged communities.

Cooperative Projects with the Army Corps of Engineers – The District is currently involved in several project studies being sponsored and conducted by the Army Corps of Engineers. Project objectives include flood protection, water conservation, and stream restoration. The projects are spread throughout the District and listed below:

- Arroyo Seco Watershed Feasibility Study
- Ballona Creek Ecosystem Restoration Study

- Coyote Creek Feasibility Study
- Phase II Los Angeles County Drainage Area Stormwater Management Plan
- Santa Clara River Feasibility Study
- Sun Valley Watershed Feasibility Study
- Tujunga Wash Restoration 1135 Study
- Whittier Narrows Water Conservation Study

Federal Emergency Management Agency (FEMA)–National Levee Certification Program Compliance – The District has a program that certifies that District-owned levees meet Federal flood protection standards. The objective is to ensure that all levees are evaluated and certified, enabling FEMA to continue to show them as providing flood protection from a 100-year flood on their Flood Insurance Rate Maps. To date, approximately 56 miles of levees have been certified but are awaiting acceptance from FEMA. Improvement alternatives are also being developed for approximately 14 miles of levees that have not been certified.

Integrated Water Resource Planning – This program addresses flood protection and water conservation goals of the District in an integrated fashion. The goal of this program is to undertake projects that provide multiple benefits to the communities served by the District including flood protection, water conservation, water quality, and community enhancements such as active and passive recreational facilities. Funding for projects that go beyond the District's purview is provided through multiple partners such as State conservancies and local, State, and Federal agencies.

Reservoir Sediment Removal – The District's 14 major dams and reservoirs are the backbone of the District's flood protection and water conservation network. The reservoirs also perform debris control due to their location in the San Gabriel Mountains, which are considered among the most erosive in the world. As a result of erosion, sediment from the tributary watersheds washes into reservoirs on a continuous basis. This accumulation of debris reduces the flood peak attenuation, stormwater capture for recharge, and debris control capacities of the facilities. After the fires in 2008 and 2009, storm flows increased the sediment and debris inflow into these facilities. Several reservoirs have lost significant storage capacity and must be cleaned out. Anticipated construction projects under this program include Devil's Gate, Cogswell, Pacoima, Morris, and Big Tujunga Dams and Reservoirs. The cost to remove sediment from these facilities is expected to exceed \$100 million. Due to the large quantity of sediment, new locations and/or partnerships are being pursued in search of additional disposal options.

Post-Fire Debris Protection – In the aftermath of major fires that occur in the vicinities of neighborhoods, the District investigates the need and feasibility of installing temporary post-fire debris barriers to minimize mudflow impacts to these neighborhoods during storms. When installed, the temporary barriers remain in place and the debris collected by these barriers is removed as needed until the burned hillsides recover, usually about five years. The District installed four debris barriers in the 2007 Ranch Fire area (Castaic and Val Verde), three barriers in the 2008 Santa Anita Fire area (Sierra Madre), three barriers in the 2008 Merek and Sesnon Fire areas (Kagel/Lopez Canyons and Twin Lakes), and networks of barriers along several streets in the 2009 Station fire area (La Crescenta and La Canada Flintridge). About 75 percent of the District's material and installation costs were reimbursed by the Natural Resources Conservation Service under its Emergency Watershed Protection Program. The temporary barriers in the Ranch Fire area are being removed. Removal of the barriers in the other fire areas is anticipated to take place between 2013 and 2014.

Post-Fire Sediment Management – The 2009 Station Fire, covering 160,000 acres, was the largest fire in Los Angeles County history, compounding the impacts of the 2009 Morris Fire and the 2008 Santa Anita, Merek, Sesnon and Sayre Fires. These fires impacted six of the District's reservoirs and more than 40 of the District's debris basins. Increased frequency and volume of cleanouts of the fire area debris basins have resulted in rapidly filling the District's nearby sediment placement sites and increased use of local landfills. The District expects the need for cleanouts of these fire area facilities and accelerated filling of sediment placement sites to continue through 2014, as the normal recovery period on disasters like this is generally five years. Additionally, some of the reservoirs impacted by the fires do not have their own sediment placement sites, and although utilization of landfills is being coordinated for cleanouts of the District's fire area facilities, the landfills have their own limitations on accommodating the District's volume of debris. The District is exploring opportunities to acquire gravel pits in the City of Irwindale to use for sediment placement as well as groundwater recharge. In an effort to address how sediment will be handled over the next two decades, the Department also developed a Sediment Management Strategic Plan with the assistance of stakeholders throughout the region. The plan is in its final review and will be released publicly in early 2013.

STORM AND RECYCLED WATER RECHARGE

Additional Spreading Ground Capacity – The District owns and operates 27 groundwater recharge facilities. These facilities allow stormwater runoff, imported water, and recycled water to be percolated into the aquifers. In the interest of improving storage and operational capacity, the District is considering acquiring land for new and expanded spreading grounds. The District is in the process of evaluating water

conservation potential at various locations and collaborating with cities and water agencies to cost-share on capital improvements. The District recently completed improvements to the Hansen Spreading Grounds Intake at a cost of \$800,000. Additional anticipated construction projects under this program include improvements to Pacoima, Peck, Dominguez Gap, Live Oak, Rio Hondo Coastal Basin, Eaton Wash, San Gabriel Canyon, and Big Dalton Spreading Grounds, along with the Walnut Spreading Basin. Cost sharing agreements are complete or near completion for Live Oak and Pacoima Spreading Grounds. Pacoima, Peck, Dominguez Gap Spreading Grounds and the Walnut Spreading Basin have been chosen to receive Proposition 84 grant money for construction.

Seawater Intrusion Barriers – This program consists of three separate projects designed to prevent saltwater from contaminating underground freshwater supplies. The District has constructed more than 290 recharge wells to inject highly treated water into underground aquifers to form a wall of freshwater under enough pressure to keep out the seawater. The District also utilizes more than 750 observation wells to monitor groundwater levels and chloride concentrations in coastal areas. The District will complete the condition assessment of existing pipelines, injection wells, and observation wells for the three seawater barriers by January 2013 at a cost of \$4.8 million. The Condition Assessment Projects were co-funded by the Water Replenishment District, West Basin Municipal Water District, Orange County Water District, and the Los Angeles City Department of Water and Power. A total of \$1.1 million will be reimbursed to the District by the various agencies. The \$3.5 million West Coast Basin Barrier Telemetry Project is under construction and will also be completed in 2013. The District also plans to construct additional observation wells along the Alamitos Barrier in 2013, at an estimated cost of \$1.5 million and with anticipated co-funding coming from the other agencies.

Long-Range Water Supply Planning and Climate Change – The District is partnering with the U. S. Department of the Interior – Bureau of Reclamation (Reclamation) to conduct the Los Angeles Basin Stormwater Conservation Study (LA Basin Study). The LA Basin Study is a long-range (40+ years) planning effort that has the objectives of evaluating the long-term potential of existing District facilities, other interrelated facilities, possible new facilities, and operational changes to effect increased capture of stormwater for water supply. The LA Basin Study will carry out detailed scientific, engineering, and economic analyses in order to help address future water supply demands and challenges as a result of climate change. The LA Basin Study is estimated to cost \$2.4 million funded under a cost-share arrangement in which Reclamation will provide in-kind services with a value of up to a maximum \$1 million with the remainder covered by the District and other local cost-share partners. The study will commence in January 2013 and will take two years to complete.

WATERSHED HEALTH

Clean Water Act Compliance – As a discharger under the Federal Clean Water Act, the District is required to obtain coverage under a municipal stormwater NPDES permit in order to operate its flood control system and discharge runoff into the waters of the United States. The permit requires the District to implement programs and controls, including public education, illicit connection/illicit discharge controls, good housekeeping practices, and other control measures, to minimize urban and stormwater runoff pollution from its discharges. The District also conducts water quality monitoring within its drainage system to characterize its discharges, identify pollutant sources, and assess compliance with the permit.

INTERNAL AND BUDGETARY CONTROLS

The District has a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not outweigh related benefits and that the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting control evaluations occur within the above framework. We believe that the District's system of internal accounting controls adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions.

In accordance with the provisions of Section 29000-29144 of the Government Code of the State of California, commonly known as the County Budget Act, the District budgets are adopted on or before October 2 of each fiscal year. Expenditures are controlled at the object level for all budget units within the District, except for capital asset expenditures, which are controlled at the object class level. Budgets are generally adopted for the District's General Fund and Debt Service Fund. The District's Capital Project Funds, Flood Control District Bond No. 3 and Flood Control District Bond No. 4, were closed in Fiscal Year 2011-12. These funds were set up to record proceeds from the sale of storm drain bond issues and the programs have been completed. Remaining cash was transferred to the Flood Control District Fund.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end.

Your Board approves all transfers of appropriations between budget units and transfers exceeding \$250,000 within budget units. Your Board must also approve necessary supplemental appropriations normally financed by unanticipated revenues earned during the year.

In addition to these procedural controls, the District is subject to periodic internal control, operational and management audits performed by the County Auditor-Controller to help ensure that prescribed procedures are followed and that operations are conducted in an efficient manner. The Auditor-Controller also operates a fraud hotline that provides employees and citizens a way to anonymously report perceived fraudulent activities by employees, vendors, contractors, and inspectors. Allegations reported through the hotline are evaluated and investigated by the Auditor-Controller as appropriate.

OTHER INFORMATION

INDEPENDENT AUDIT

The Continuing Disclosure Agreement dated January 1, 2003, by and between the Los Angeles County Flood Control District and The Bank of New York Trust Company, N. A., as Trustee, requires an annual audit of the basic financial statements of the District. Moss, Levy & Hartzheim, LLP, audited the District's basic financial statements for the fiscal year ended June 30, 2012. The auditor's report on the basic financial statements is included in the Financial Section of this report.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the fifth consecutive year the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

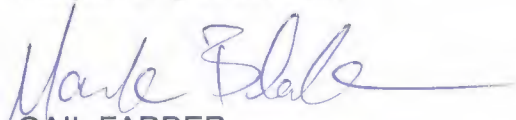
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program, and we will submit it to the GFOA for certification.

The Honorable Board of Supervisors
December 27, 2012
Page 10

ACKNOWLEDGEMENTS

This report could not have been prepared without the cooperative efforts of the staff of Public Works' Financial Management Branch; various Public Works line divisions, including the Watershed Management, Water Resources, Flood Maintenance, Construction, and Design Divisions, as well as the Public Relations Group; and the Auditor-Controller. The District would also like to thank our independent auditors, Moss, Levy & Hartzheim, LLP, for their professional assistance.

Respectfully submitted,



GAIL FARBER

Director of Public Works

LH:rp

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Enc.

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Los Angeles County
Flood Control District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Enen

Executive Director

**COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS**
(for Period Ending June 30, 2012)

Zev Yaroslavsky, Chairman
Third District

Gloria Molina
First District

Don Knabe
Fourth District

Mark Ridley-Thomas
Second District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer
Board of Supervisors

CONTRIBUTING COUNTY OFFICIALS

Gail Farber
Director of Public Works

William T. Fujioka
Chief Executive Officer

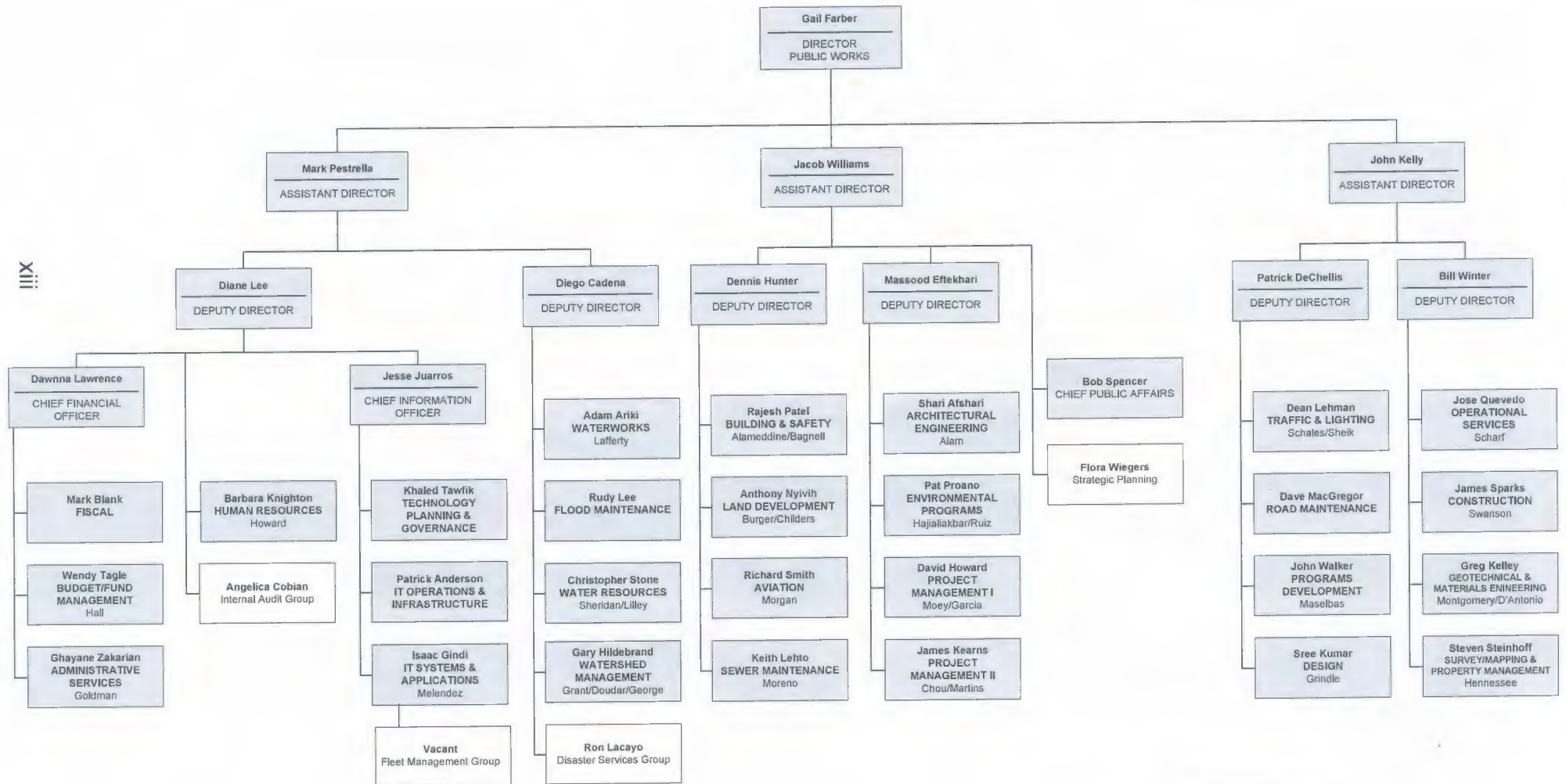
Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

John Krattli
County Counsel

LOS ANGELES COUNTY DEPARTMENT OF PUBLIC WORKS

Organization Chart



Revised: 03/12/2012

Financial Section



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Los Angeles County Flood Control District (District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the Los Angeles County Flood Control District as of June 30, 2012, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 of the notes to basic financial statements effective July 1, 2011, the District adopted Governmental Accounting Standards (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with the *Government Auditing Standards*, we have also issued a report dated December 18, 2012, on our consideration of the Los Angeles County Flood Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

MEMBER AMERICAN INSTITUTE OF C.P.A.'S · CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS · CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the budgetary comparison schedule for the General Fund on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Angeles Flood Control District's basic financial statements. The introductory section, schedule of changes in assets and liabilities – fiduciary funds, and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of changes in assets and liabilities – fiduciary funds is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 18, 2012

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Los Angeles County Flood Control District's (District) financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with information contained in the letter of transmittal and accompanying basic financial statements, notes, and supplementary information.

The District is a component of a larger governmental unit, the County of Los Angeles (County). We also encourage readers to use the Comprehensive Annual Financial Report of the County of Los Angeles to provide perspective on the government-wide and fund based statements and on how the District is a component of those statements.

FINANCIAL HIGHLIGHTS

At the end of the reporting year, the net assets (total assets less total liabilities) of the District were \$5.979 billion.

During the year, the District's net assets increased by \$43 million. The increase was a result of the District's governmental activities. The District has no business-type activities to report.

At the end of this fiscal year, the District's General Fund reported a total fund balance of \$193.1 million. The fund balance categories and amounts consisted of restricted fund balance of \$193 million and assigned fund balance of \$0.1 million.

The District's capital asset balance net of accumulated depreciation was \$5.833 billion at year-end, and decreased by \$14 million during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes required and other supplementary information in addition to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference representing net assets. Over time, increases or decreases in the District's net assets may serve as an indicator of improvement or decline of its financial health.

The Statement of Activities shows the change in the District's net assets during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the change take place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will affect future cash flow. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses that have been accrued but not yet paid.

The government-wide financial statements of the District report only one category, governmental activities, as the District has no business-type activities or discretely presented component units for which the District is financially accountable.

Governmental Activities - All of the District's basic services are included here. Property taxes and benefit assessments finance most of the District's flood control activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's significant funds. Funds are accounting devices used to keep track of specific funding sources and spending for particular purposes. The District has two kinds of funds:

Governmental Funds - All of the District's basic services are included in governmental funds, which focus on resource inflow and outflow and show available balances at year-end. The governmental fund statements provide a detailed short-term view that helps readers determine whether there is an increase or decrease in financial resources available for spending in the near future on the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we show the relationship between governmental activities and governmental funds using reconciliations on pages 18 and 21 and the notes to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Fiduciary Funds – Assets held in an agency capacity for others and unable to be used to support District activities are known as fiduciary funds. The District's agency funds are reported in this fund category using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information, essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 23 of this report.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the District's budget as well as actual revenues and expenditures on a budgetary basis. The RSI is located on pages 41 through 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide data is available and presented under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The District does not have business-type activities to report.

As noted earlier, net assets can serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5.979 billion at the close of the most recent fiscal year (see Table 1).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 1

**Summary of Net Assets
As of June 30, 2012 and 2011
(in thousands)**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 212,943	\$ 177,274
Capital assets	<u>5,832,592</u>	<u>5,846,802</u>
Total assets	<u>\$6,045,535</u>	<u>\$6,024,076</u>
Current and other liabilities	\$ 10,310	\$ 15,571
Long-term liabilities	<u>56,136</u>	<u>72,696</u>
Total liabilities	<u>66,446</u>	<u>88,267</u>
Net assets:		
Invested in capital assets, net of related debt	5,795,397	5,793,007
Restricted	183,593	142,703
Unrestricted net assets	<u>99</u>	<u>99</u>
Total net assets	<u>5,979,089</u>	<u>5,935,809</u>
Total liabilities and net assets	<u>\$6,045,535</u>	<u>\$6,024,076</u>

As indicated above, the District's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The District's capital assets, net of related debt, total \$5.795 billion. This represents its investment in capital assets (e.g., land and easements, and buildings, improvements, infrastructure, and equipment—net of accumulated depreciation), less any outstanding debt related to acquiring those assets. At June 30, 2012, the District reported bonds payable of \$37.2 million related to capital assets. It should be noted that the resources needed to repay this debt must derive from other sources; the capital assets themselves usually are not utilized to liquidate these liabilities. The District uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Restricted Net Assets

The District's restricted net assets at year-end were \$183.6 million, primarily for Capital Projects and Public Protection. These asset restrictions are imposed by bond covenants for construction, debt service, and reserves.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Unrestricted Net Assets

The District's unrestricted net assets of \$0.1 million are available to meet the District's ongoing financial requirements.

Governmental Activities

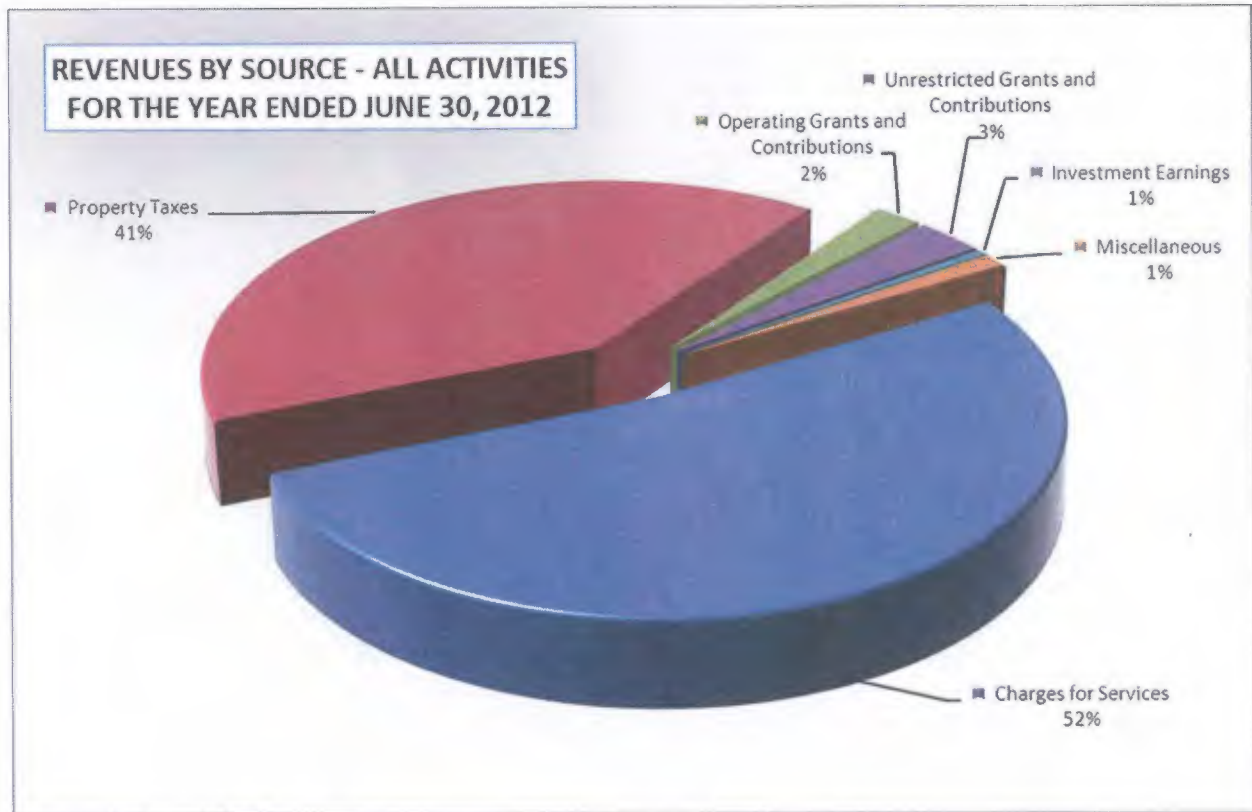
Table 2 indicates the changes in net assets for the governmental activities.

Table 2

**Summary of Changes in Net Assets
For the Years Ended June 30, 2012 and 2011
(in thousands)**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 127,672	\$ 123,071
Operating grants and contributions	4,439	4,929
General revenues:		
Property taxes	100,991	96,214
Unrestricted grants and contributions	6,362	7,205
Investment earnings	1,911	1,008
Miscellaneous	<u>4,415</u>	<u>2,652</u>
Total revenues	<u>245,790</u>	<u>235,079</u>
Expenses:		
Public protection	199,282	201,156
Contributions to Los Angeles County	1,018	1,159
Interest on long-term debt	<u>2,210</u>	<u>3,006</u>
Total expenses	<u>202,510</u>	<u>205,321</u>
Changes in net assets	43,280	29,758
Net assets – beginning	<u>5,935,809</u>	<u>5,906,051</u>
Net assets – ending	<u>\$5,979,089</u>	<u>\$5,935,809</u>

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



The District's change in net assets was \$13.5 million more than the prior year. Following are the major factors that contributed to the net asset changes:

- Revenues from governmental activities increased by \$11.2 million (5%) from the prior year. The most significant changes in revenue were in the following areas:
 - Charges for services were \$4.6 million (4%) more than the previous year due to an increase in charges for services for the West Coast Basin Bar Project Telemetry Study and an increase in lease payment revenue for the use of the District's Santa Clarita Yard.
 - Property taxes were \$4.8 million (5%) more than the previous year due to an increase of assessed property values.
 - Miscellaneous revenue increased by \$1.8 million (67%) due to an increase of easement revenue.
- Governmental activity expenses were \$2.8 million (1%) lower than the previous year due primarily to decreases in public protection and interest on long-term debt for scheduled debt service payments.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure compliance with finance related legal requirements, tracking funding sources and spending for defined purposes.

Types of governmental funds utilized by the District include General (commonly referred to as the Flood Fund), Debt Service, and Capital Project Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. The information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, the District's governmental funds reported a combined fund balance of \$193.1 million, an increase of \$41.4 million in comparison with the prior fiscal year. Of the total fund balance, \$193 million is classified as restricted and \$0.1 million as assigned.

Revenues in the District's governmental funds, primarily the General Fund, were \$246.5 million, an increase of \$9.9 million (4%) from the previous year. Property taxes, which were \$101.7 million, were a major source of revenue for the governmental funds. Property taxes increased \$4.5 million (5%) from the previous year. Another significant source of revenue was charges for services, which were \$116.8 million. Charges for services increased \$2.8 million (2%) from the previous year. Together, these two revenue sources accounted for 89% of total revenues for all the governmental funds.

Expenditures for the governmental funds totaled \$204.1 million, a decrease of \$38.8 million (16%) from the previous year. For the reporting year, revenues for governmental activities exceeded expenditures by \$42.4 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

Table 3 is a summary of reporting year budgetary changes and actual results for the District's General Fund revenues and other financing sources (in thousands).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 3

<u>Category</u>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance - Positive (Negative)</u>
Taxes	\$ 3,953	\$ 101,264	\$ 101,684	\$ 420
Intergovernmental revenues		6,578	10,800	4,222
Charges for services		113,349	116,949	3,600
All other revenues		14,965	17,109	2,144
Other sources and transfers		300	120	(180)
Changes in reserves/designations	(12,000)	(25,956)	(12,435)	13,521
Total	\$ (8,047)	\$ 210,500	\$ 234,227	\$ 23,727

Changes from Amounts Originally Budgeted

During the year, the net change in the District's General Fund budgeted reserves and designations was a negative \$8 million. The change resulted from a \$12 million designation increased for sediment removal projects at various reservoirs offset by an increase of budgeted tax revenues of \$4 million. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

Actual Revenues/Financing Sources Compared With Final Budget Amounts

Actual revenues and other financing sources recognized by the District's General Fund were \$23.7 million (11%) more than budgeted. The variance resulted primarily from the following:

- An increase in property tax revenue.
- An increase in reimbursement from the State of California, Office of Emergency Services (OES) and the Federal Emergency Management Agency (FEMA) for various 2005 Winter Storm projects.
- An increase in grant funding from the State of California, Department of Water Resources for the Morris Dam Water Supply Project.
- An increase in reimbursement from the West Basin Municipal Water District for the West Coast Basin Bar Project Telemetry System.
- An increase in easement revenue.
- Changes in reserves and designations totaling \$13.5 million were decreased as a result of the cancelation of existing contracts and purchase orders resulting in additional unreserved funds.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Budgetary Summary - Expenditures/Other Financing Uses

Table 4 is a summary of current year budgetary changes and actual results for the District's General Fund expenditures and contingencies (in thousands).

Table 4

<u>Category</u>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance - Positive (Negative)</u>
Public protection and capital outlay	\$ -	\$240,503	\$202,534	\$ 37,969
Contingencies	(8,047)	(8,047)		(8,047)
Total	\$ (8,047)	\$232,456	\$202,534	\$29,922

Changes from Amounts Originally Budgeted

During the year, the net change in the District's General Fund budgeted contingencies was a negative \$8 million. The net change resulted from the following:

- A decrease of \$12 million in cancelled commitments for flood channel repair and rehabilitation projects to fund the designation for sediment removal projects.
- An increase of \$4 million as a result of actual tax revenues exceeding the original budget. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. As indicated previously, the revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amounts

Actual expenditures and other financing uses in the District's General Fund were \$30 million lower than budgeted. The variance primarily resulted from changes in the District's project schedule that occur as a result of various circumstances delaying the award of construction projects. Delays are expected and an inventory of projects is kept ready for replacing projects that remain in planning stages or are otherwise delayed.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$5.833 billion (net of depreciation) invested in capital assets including land and easements, buildings and improvements, infrastructure, and equipment (see Table 5).

The District's capital assets (net of depreciation) for the reporting fiscal year decreased \$14.2 million (0.2%) from the prior fiscal year:

Table 5
Changes in Capital Assets, Net of Depreciation (in thousands)

	Reporting Year	Prior Year	Increase (Decrease)
Land and easements	\$3,658,844	\$3,650,266	\$ 8,578
Buildings and improvements (B&I)	64,841	66,554	(1,713)
Infrastructure	2,050,119	1,928,398	121,721
Equipment	532	585	(53)
Construction-in-progress - infrastructure	58,256	200,999	(142,743)
Total	<u>\$5,832,592</u>	<u>\$5,846,802</u>	<u>\$ (14,210)</u>

Infrastructure costs were capitalized for projects that remained in progress at the end of the year. The value of construction-in-progress at June 30, 2012, was \$58.3 million and the value will be classified in the Construction-in-Progress category until the projects are completed. For additional information on Capital Asset activity see Note 5 on page 35.

The \$187.1 million in infrastructure asset additions (see Note 5) includes projects completed this year under the Construction-in-Progress category. The completed projects totaled \$164.8 million and are listed below and on the following page (asset values are prior to depreciation).

Catch Basins

- Los Angeles River Trash TMDL Full Compliance Catch Basin Retrofit - Phase 5 (\$1,409,700)

Channel Improvements

- Santa Clara River South Fork Access Ramps and Repair (\$1,925,200)
- Coyote Creek Channel Repair Subdrainage, Concrete Deficiencies Repair (\$2,960,500)

Crib Dams

- Halls, Pickens, Dusmuir, and Shields Canyons Crib Structures Repair (\$969,800)

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Dams

- Big Tujunga Dam Seismic Rehabilitation and Spillway Modification project (\$108,025,300)

Debris Basins

- Bigbriar, Mullally, Pinelawn, and Starfall Debris Basin Enlargement (\$2,046,000)

Detention/Retention Basin

- Grace Drain Retention Basin Invert Access Ramp (\$401,000)

Pumping Plant Improvements

- Los Altos Pump Station Upgrade (\$833,700)
- Seaside Drain - Seaside Pump Station Upgrade (\$1,751,900)

Spreading Ground Improvements

- San Gabriel River Coastal Basin Spreading Grounds, Pump Station, and Pipeline (\$8,192,900)

Storm Drain Improvements

- Termino Avenue Drain (\$34,941,500)
- Pacoima Dam Underground Utility Project (\$1,429,300)

Debt Administration

At June 30, 2012, the District had \$56.1 million in long-term debt. The District's long-term debt consisted of \$37.2 million in bonds and \$18.9 million in other liabilities. The District's long-term debt decreased by approximately \$16.6 million (23%) this year as a result of scheduled debt service payments. Specific disclosures related to long-term obligations appear in Notes 6, 8 and 12.

Table 6 indicates changes in the District's long-term debt during the year:

Table 6
Changes in Long-Term Debt (in thousands)

	Current Year	Prior Year	(Increase) Decrease
Capital Construction and Refunding Bonds	\$22,275	\$38,010	\$15,735
Revenue Bonds	14,920	15,785	865
Other Liabilities	18,941	18,901	(40)
Total	\$56,136	\$72,696	\$16,560

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Bond Ratings

The District's debt is rated by Moody's, Standard and Poor's, and Fitch. The following is a schedule of ratings:

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
Revenue Bonds	Aa1	AA	AAA

ECONOMIC CONDITIONS AND OUTLOOK

The Board of Supervisors adopted the District's 2012-2013 Budget on June 25, 2012. The Budget was adopted based on the estimated fund balance that would be available at the end of 2011-2012. The Board updated the Budget on October 2, 2012, to reflect the final 2011-2012 fund balances and other pertinent financial information. For the District's General Fund, the 2012-2013 Budget utilized \$54 million of available fund balance, which exceeded the previously estimated fund balance of \$8 million. The additional fund balance of \$46 million was appropriated or designated for flood control infrastructure improvement needs.

The economic outlook for the District reflects the State's slow economic recovery and budget. The State budget situation has improved and there are signs of stability with certain key revenue sources. The County Assessor released the Net Local Property Tax Roll for 2012-13, which is 1.14% higher than the previous year. This marks the second consecutive year of increased assessed property values. Property tax revenues and benefit assessments are the District's most important sources of funding, and they are vital to ongoing programs and projects. The District continues to seek funding opportunities, as well as partnerships and collaborative efforts, to leverage resources to help meet ever-increasing demands.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide citizens, taxpayers, customers, investors, creditors, and other stakeholders with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803-1331.

Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012 (in thousands)

		GOVERNMENTAL ACTIVITIES
ASSETS		
Pooled cash and investments (Notes 1 and 4)	\$	182,493
Advances to the County of Los Angeles		6,534
Taxes receivable		14,223
Interest receivable		422
Other receivables		9,271
Capital assets: (Notes 1 and 5)		
Land and easements and construction-in-progress	\$	3,717,100
Other capital assets, net of accumulated depreciation		2,115,492
Total capital assets		5,832,592
TOTAL ASSETS		6,045,535
LIABILITIES		
Accounts payable		5,737
Accrued interest payable		554
Unearned revenue		4,019
Noncurrent liabilities: (Notes 6, 8 and 12)		
Due within one year		26,192
Due in more than one year		29,944
TOTAL LIABILITIES		66,446
NET ASSETS		
Invested in capital assets, net of related debt		5,795,397
Restricted for:		
Capital projects		91,270
Public protection		92,323
Unrestricted		99
TOTAL NET ASSETS	\$	5,979,089

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (in thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Public protection	\$ 199,282	\$ 127,672	\$ 4,439	\$ -	\$ (67,171)
Contributions to					
Los Angeles County	1,018				(1,018)
Interest on long-term debt	2,210				(2,210)
Total	<u>\$ 202,510</u>	<u>\$ 127,672</u>	<u>\$ 4,439</u>	<u>\$ -</u>	<u>(70,399)</u>
General revenues:					
Property taxes					100,991
Grants and contributions not restricted to special programs					6,362
Investment earnings					1,911
Miscellaneous					4,415
Total general revenues					<u>113,679</u>
Change in net assets					43,280
Net assets - July 1, 2011					<u>5,935,809</u>
Net assets - June 30, 2012					<u>\$ 5,979,089</u>

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012 (in thousands)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Pooled cash and investments (Notes 1 and 4)	\$ 182,493	\$ -	\$ -	\$ 182,493
Advances to the County of Los Angeles	6,534			6,534
Taxes receivable	7,442			7,442
Interest receivable	422			422
Assessments receivable	6,781			6,781
Other receivables	9,271			9,271
TOTAL ASSETS	\$ 212,943	\$ -	\$ -	\$ 212,943
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 5,737	\$ -	\$ -	\$ 5,737
Unearned revenue	14,076			14,076
TOTAL LIABILITIES	19,813	-	-	19,813
FUND BALANCES:				
Restricted:				
Capital projects	91,270			91,270
Public protection	101,761			101,761
Assigned	99			99
TOTAL FUND BALANCES	193,130	-	-	193,130
TOTAL LIABILITIES AND FUND BALANCES	\$ 212,943	\$ -	\$ -	\$ 212,943

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012 (in thousands)

Fund balance of total governmental funds (page 17)	\$	193,130
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets in governmental activities are not current financial
resources and therefore are not reported in governmental funds:

Land and easements	\$	3,658,844	
Construction-in-progress		58,256	
Buildings and improvements - net		64,841	
Equipment - net		532	
Infrastructure - net		2,050,119	5,832,592

Other long-term assets are not available to pay for current-
period expenditures and are deferred, or not recognized,
in governmental funds:

Unearned revenue		10,057
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Accrued interest payable is not recognized in governmental funds		(554)
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The following long-term liabilities are not due and payable in the
current period and therefore are not reported in the governmental funds:

Bonds payable	(37,195)		
Litigation/self insurance	(18,941)	(56,136)	

Net assets of governmental activities (page 15)	\$	5,979,089
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The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (in thousands)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 101,735	\$ -	\$ -	\$ 101,735
Licenses and permits	705			705
Fines, forfeitures, and penalties	1,500			1,500
Interest	1,911			1,911
Rents and royalties	8,719			8,719
Intergovernmental revenues:				
Federal	769			769
State	4,502			4,502
Other	5,529			5,529
Charges for services	116,758			116,758
Miscellaneous	4,383			4,383
TOTAL REVENUES	246,511	-	-	246,511
EXPENDITURES:				
Current public protection:				
Services and supplies	179,223			179,223
Debt service:				
Principal		16,600		16,600
Interest		2,484		2,484
Capital outlay	5,798			5,798
TOTAL EXPENDITURES	185,021	19,084	-	204,105
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	61,490	(19,084)	-	42,406

The notes to the basic financial statements are an integral part of this statement.

Continued...

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (in thousands)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	\$ 21	\$ -	\$ -	\$ 21
Transfers in	226	18,867		19,093
Transfers out	(18,867)	(127)	(99)	(19,093)
Contributions to Los Angeles County	(1,018)			(1,018)
OTHER FINANCING SOURCES (USES)	(19,638)	18,740	(99)	(997)
NET CHANGE IN FUND BALANCES	41,852	(344)	(99)	41,409
FUND BALANCES - BEGINNING	151,278	344	99	151,721
FUND BALANCES - ENDING	\$ 193,130	\$ -	\$ -	\$ 193,130

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (in thousands)

Net change in fund balances - total governmental funds (page 20)	\$	41,409
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 52,962	
Less - current year depreciation expense	<u>(67,183)</u>	(14,221)

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources, thus, the change in net assets differs from the change in fund balance	11
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Revenue timing differences result in more/(less) revenue in Government-wide Statements	(753)
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Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	16,600
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Accrued interest for bonds payable; this is the net change in accrued interest for the current period	274
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Some expenses reported in the accompanying Statement of Activities do not require (or provide) the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in litigation/self insurance		<u>(40)</u>
Change in net assets of governmental activities (page 16)	\$	<u><u>43,280</u></u>

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012 (in thousands)

	<u>AGENCY FUNDS</u>
ASSETS	
Pooled cash and investments (Notes 1 and 4)	\$ 3,480
TOTAL ASSETS	<u><u>\$ 3,480</u></u>
LIABILITIES	
Deposits payable	\$ 3,480
TOTAL LIABILITIES	<u>3,480</u>
TOTAL NET ASSETS	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Los Angeles County Flood Control District's (District) mission is to carry out the objectives of the Los Angeles County Flood Control Act. Its objectives include providing for the control and conservation of flood, storm, and other wastewater, as well as protecting the harbors, waterways, public highways, and properties within the District from damage from flood or storm waters. The District's powers are exercised through the County of Los Angeles Board of Supervisors (Board), which acts as the District's governing body. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining whether to issue bonds authorized by the voters of the District.

Reporting Entity

District management has determined that the Public Works Financing Authority (PWFA) should be included in the basic financial statements of the District as a blended component unit. The PWFA is dependent upon the District for funding. The PWFA is a public agency organized pursuant to a Joint Exercise of Powers Agreement between the District and the County dated May 18, 1993. The PWFA is empowered to finance District capital assets through the issuance of bonds.

A blended component unit is an entity that, because of a close relationship with a primary government, should be blended in the basic financial statements as though it were part of the primary government. The District does not have any other component units that should be discretely presented. For additional information on PWFA, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803.

The District is included as a blended component unit of the County of Los Angeles financial reporting entity and is included in the County's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012. The financial resources and operations of the District are accounted for in the fund types discussed below.

Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting incorporates all GASB pronouncements.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. The Statement of Net Assets and Statement of Activities display information about the District with the exclusion of fiduciary activities.

Basis of Accounting

Government-wide financial statements are presented using the economic resource measurement focus and the accrual basis of accounting. Under the economic resource measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Proceeds of long-term debt are recorded as a liability rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of related liabilities rather than as expenditures.

Net assets are classified into the following three categories: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, there were no restricted assets impacted by enabling legislation.

When both restricted and unrestricted net assets are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for with a separate set of self balancing accounts comprised of its assets, liabilities, fund balances, revenues, and expenditures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

At June 30, 2012, the District had recorded restricted net assets in the Governmental Activities as follows (in thousands):

Restricted for:	Governmental Activities
Capital Projects	\$ 91,270
Public Protection	92,323
Total Restricted	<u>\$ 183,593</u>

Fund Balance

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (District ordinances).

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Board establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. In FY 2011-12, the District reviewed the GASB 54 criteria and determined that an ordinance and resolution are equally binding, and either action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2012 are as follows (in thousands):

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Fund Balances				
Restricted for:				
Capital Projects	\$ 91,270	\$ -	\$ -	\$ 91,270
Public Protection	<u>101,761</u>	<u> </u>	<u> </u>	<u>101,761</u>
Total Restricted	193,031			193,031
Assigned	<u>99</u>	<u> </u>	<u> </u>	<u>99</u>
Total Fund Balances	<u>\$ 193,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,130</u>

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually and in the aggregate for governmental funds.

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for governmental and fiduciary fund categories are presented.

The District reports on the following major governmental funds:

- General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except those required to be accounted for in another fund.

- Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt, including principal and interest.

- Capital Project Funds

The Capital Project Funds are used to account for financial resources to be used for the acquisition and/or construction of flood control structures financed by long-term debt.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

The District also reports on the following funds:

- Fiduciary Funds (Agency Funds)

The Agency Funds are used to account for assets held by the District in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, or other funds. Such funds have no equity accounts since all assets are primarily made up of deposits due to individuals or entities at some future time. The Agency Funds consist of funds for the acquisition of rights-of-way for flood control projects and deposits received, from other governmental entities, private companies, and individuals, as part of an agreement, permit, contractual obligation, or other pre-payment requirement stemming from flood control construction projects or maintenance work.

Basis of Accounting

In the fund financial statements, governmental funds are presented using a modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance operations during the year. Secured and unsecured property taxes and benefit assessments estimated to be collectible in future years are recorded as receivables and deferred revenue. The accrual of property tax revenues is generally limited to the extent that collection takes place within 60 days following the balance sheet date.

Interest income and charges for current services are accrued when earned and determined available. Changes in the fair value of investments are recognized as revenues at the end of each year. Federal and State grants are recorded as revenue when determined to be available, entitlement occurs, and relevant expenditures are incurred. Revenues not accrued include licenses, permits, and miscellaneous revenues. Expenses are generally recognized under the modified accrual basis of accounting when the related liability is incurred, with the exception of interest on long-term debt, which is recognized when payment is due.

In the fund financial statements, governmental funds are presented using the current financial resource measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Noncurrent portions of long-term receivables due from governmental funds are reported on the District's balance sheet and are offset by deferred revenue. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

As a result of its spending measurement focus, expenditure recognition for governmental fund types excludes transactions involving noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Code and Revenue and Taxation Code. Property is assessed at full cash or market value (with some exceptions). Pursuant to such legislation, the Board levies a property tax to support general operations of the various jurisdictions (ad valorem tax). This tax is limited to one percent (1%) of full cash value of property and collections are distributed in accordance with statutory formulae. The District receives an apportionment from the property tax levy, which is a major source of District revenue.

Property taxes are levied on both real and personal property. Secured property taxes are levied in September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments: the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and is delinquent with penalties after April 10. Secured property taxes delinquent and unpaid as of June 30, are declared to be tax defaulted and subject to redemption penalties, costs, and interest. Properties with delinquent taxes, unpaid after five years, are subject to being sold at public auction, and having the proceeds used to pay the delinquent amounts. Any excess is remitted to the taxpayer, if claimed.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 and become delinquent on August 31, if unpaid. Unsecured property tax receivables are reduced by an amount estimated to be uncollectible, which is based on a five-year historical average collection percentage.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Benefit Assessments

The District, as authorized by the State Government Code, levies an assessment on each parcel of real property within the District, except on property owned by Federal, State, or local government agencies. The assessment, as approved by the Board, is levied in proportion to benefits received and determined on the basis of the proportionate stormwater runoff from each parcel. The purpose of benefit assessments is to cover the cost of providing flood control services, not offset by other available revenues.

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying financial statements reflect the fair value of investments. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

All cash and investment balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. Each fund's share in the pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to various funds based on a pro rata share of the fund's average cash and investment balance as provided by Government Code Section 53647.

The fair value of pooled investments is determined annually and based on current market prices. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals rather than market value.

Other Investments

"Other Investments" represents investment and interest earnings related to the debt issuance currently held in trust by the Bank of New York Trust Company, N. A.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlays are recorded as expenditures of the General and Capital Project Funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The County's policy is to record infrastructure costs as services and supplies expenditures in the General Fund and capitalize as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The District's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, and \$25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 5.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Infrastructure	15 to 100 years

Deferred Revenue

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets and governmental funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as deferred revenue. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Thus, governmental funds also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

2. ACCOUNTING CHANGES

For fiscal year ended June 30, 2012, the District implemented GASB 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." GASB 74 is an amendment to GASB 53, "Accounting for Financial Reporting for Derivative Instruments."

Governmental Accounting Standards Board Statement No. 64

GASB 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not have an effect on these financial statements.

3. TRANSACTIONS WITH THE COUNTY

Pursuant to an agreement between the District and the County, the County is responsible for providing all necessary employees to the District for purposes of performing District functions. Costs related to these employees are billed to the District based on actual time spent providing services to the District. Supply and equipment costs are also billed based on actual usage by the District. Accordingly, the District has no supplies inventory or employee-related liabilities (e.g., pension, compensated absences, and workers' compensation). For the year ended June 30, 2012, the County's billings to the District's General Fund approximated \$103,671,000. Costs associated with shared equipment and inventory funded through the Department of Public Works' Internal Service Fund are recorded in the District's financial statements as expenses under "Public Protection." For the year ended June 30, 2012, this expense from the District's General Fund was \$975,000.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

3. TRANSACTIONS WITH THE COUNTY-Continued

The District has numerous transactions with the other funds of the County in order to finance operations, provide services, purchase assets, and apportion property taxes. To the extent that some transactions between the District and these funds were not paid or received by June 30, 2012, the net balances of interfund amounts receivable or payable were converted to cash for financial statement presentation.

On April 16, 1990, the District entered into a cost-sharing agreement with the County, relative to the Public Works headquarters building. Still in effect, the agreement provides for the County to make rental payments to the District in exchange for its occupancy of the building. Furthermore, the County agreed to pay for its proportionate share of the headquarters operating costs. For the year ended June 30, 2012, County rental payments to the District totaled \$4,933,000.

The District issued certificates of participation in 1987 to acquire its headquarters building. These certificates were defeased and replaced with refunding bonds in August 1993. The 1993 refunding bonds were refunded in January 2003 (see Note 6). The District's management has no intention of selling the headquarters building. However, in the event the headquarters were to be sold, the proceeds of the sale in excess of any outstanding indebtedness would be shared by the District and the County in proportion to each entity's share of the headquarters' cost.

4. CASH AND INVESTMENTS

Pooled Cash and Investments

As provided for by the Government Code, some cash balances of the District are pooled and invested by the County Treasurer but are subject to withdrawal from the pool upon demand. As of June 30, 2012, the District's share of the total pooled cash and investments included in the Statement of Net Assets and Balance Sheet under "pooled cash and investments" was \$182,493,000, which represents approximately 0.84% of the total pool. The "pooled cash and investments" reported on the Statement of Fiduciary Net Assets was \$3,480,000.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

4. CASH AND INVESTMENTS-Continued

Interest earned on pooled investments is deposited monthly and is based upon the average daily deposit balance during the allocation period. Investment gains and losses are proportionately shared by the entities participating in the pool as an increase or reduction in interest earnings. The net unrealized gain on the District's proportionate share of investments held in the Treasurer's Pool was \$521,000 as of June 30, 2012. Statutes authorize the pool to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

Investments are managed by the County Treasurer, who provides status reports on a monthly basis to the Board. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however, GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasurer's Pool is presented in Note 5 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Other Investments

Short-term investments of Milestone Treasury are managed by the Bank of New York Trust Company, N. A.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is as follows (in thousands):

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets, not depreciated:				
Land and easements	\$3,650,266	\$ 8,771	\$ (193)	\$3,658,844
Construction-in-progress – infrastructure	<u>200,999</u>	<u>31,375</u>	<u>(174,118)</u>	<u>58,256</u>
Subtotal	<u>3,851,265</u>	<u>40,146</u>	<u>(174,311)</u>	<u>3,717,100</u>
Capital assets, being depreciated:				
Buildings and improvements	96,613			96,613
Equipment	1,886	49	(30)	1,905
Infrastructure	<u>3,542,991</u>	<u>187,105</u>	<u> </u>	<u>3,730,096</u>
Subtotal	<u>3,641,490</u>	<u>187,154</u>	<u>(30)</u>	<u>3,828,614</u>
Less accumulated depreciation:				
Buildings and improvements	30,059	1,713		31,772
Equipment	1,301	86	(14)	1,373
Infrastructure	<u>1,614,593</u>	<u>65,384</u>	<u> </u>	<u>1,679,977</u>
Subtotal	<u>1,645,953</u>	<u>67,183</u>	<u>(14)</u>	<u>1,713,122</u>
Total capital assets, being depreciated, net	<u>1,995,537</u>	<u>119,971</u>	<u>(16)</u>	<u>2,115,492</u>
Total capital assets, net	<u>\$5,846,802</u>	<u>\$160,117</u>	<u>\$ (174,327)</u>	<u>\$5,832,592</u>

Depreciation Expense	
Governmental activities:	
Public protection	\$ 67,183
Total depreciation expense, governmental activities	<u>\$ 67,183</u>

The capital asset adjustment of \$52,962,000 shown in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the year ended June 30, 2012 (see page 21), is detailed as follows (in thousands):

Capital Asset Adjustments:

Addition of Capital Assets, not depreciated	\$ 40,146
Deletion of Capital Assets, not depreciated	(174,311)
Addition of Capital Assets, being depreciated	187,154
Deletion of Capital Assets, being depreciated	(30)
Deletion of Accumulated Depreciation	14
Gain on Sale of Capital Assets	<u>(11)</u>
Total Capital Assets Adjustments	<u>\$ 52,962</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

6. LONG-TERM OBLIGATIONS

Long-term obligations of the District consist of capital construction and refunding bonds and other liabilities (see Notes 8 and 12).

Capital Construction and Refunding Bonds

On January 30, 2003, the Los Angeles County Public Works Financing Authority issued \$143,195,000 in refunding revenue bonds, maturing on various dates between 2004 and 2017, with an average interest rate of 3.34%. These bonds were issued to refund the outstanding principal amount of \$147,565,000 of capital construction and refunding bonds issued in 1993 at an interest rate of 5%.

The District's capital construction and refunding bonds outstanding at June 30, 2012, are summarized as follows (in thousands):

\$143,195 issued in 2003; due in annual installments through 2017; average interest at 3.34%	\$22,275
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Aggregate maturity of capital construction and refunding bonds as of June 30, 2012, are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 16,530	\$ 1,062
2014	1,355	235
2015	1,405	181
2016	1,465	125
2017	1,520	65
Total	<u>\$ 22,275</u>	<u>\$ 1,668</u>

Revenue Bonds Series 2005A

On July 13, 2005, the Los Angeles County Public Works Financing Authority issued \$20,540,000 in revenue bonds, maturing on various dates between 2006 and 2025, with interest rates ranging from 4% to 4.125%. Bond proceeds were used to finance the design, renovation, improvement, and seismic retrofitting of the District's headquarters building and to pay some costs of issuance incurred in connection with the Series 2005A Bonds. The District's revenue bonds outstanding at June 30, 2012, are summarized as follows (in thousands):

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

6. LONG-TERM OBLIGATIONS-Continued

\$20,540 issued in 2005; due in
annual installments through 2025;
interest at 4.0% to 4.125%

\$14,920

Aggregate maturity of revenue bonds as of June 30, 2012, is as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 895	\$ 601
2014	935	566
2015	970	528
2016	1,010	489
2017	1,050	450
2018-2022	5,910	1,580
2023-2025	4,150	346
Total	<u>\$ 14,920</u>	<u>\$ 4,560</u>

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the fiscal year ended June 30, 2012 (in thousands):

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions/ Maturities</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Bonds Payable	\$53,795	\$ -	\$(16,600)	\$ 37,195	\$17,425
Other Liabilities (Notes 8 & 12)	<u>18,901</u>	<u>888</u>	<u>(848)</u>	<u>18,941</u>	<u>8,767</u>
Total	<u>\$72,696</u>	<u>\$ 888</u>	<u>\$(17,448)</u>	<u>\$ 56,136</u>	<u>\$26,192</u>

7. INTERFUND TRANSACTIONS

Interfund transfers made during the year between the General, Debt Service, and Capital Project Funds were in accordance with long-term debt covenants. Interfund transfers to/from other funds for the year ended June 30, 2012, were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$18,867
Debt Service Fund	General Fund	127
Capital Project Funds	General Fund	99
Total		<u>\$19,093</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

8. RISK MANAGEMENT

The District is self-insured and has programs to address general liability. The District's properties are insured under the County's Consolidated Property Insurance Program, which has coverage of up to \$800 million for all risk including earthquakes, \$300 million for flood damages, and \$1 million for pollution cleanup. There were no settlements related to these programs that exceeded insurance coverage in the past three years. The District bears the risk for all loss exposure in excess of insurance coverage. Liabilities for claims are reported when it is probable that a loss has been incurred and the amount of the loss, including amounts incurred but not reported, can be reasonably estimated. The District utilizes actuarial studies, historical data, and individual claim reviews to estimate these liabilities.

As of June 30, 2012, the District's best estimate of these probable judgment liabilities is \$18,941,000. The changes in reported liability since July 1, 2009, were as follows (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-End
2009-10	\$12,577	\$5,993	(\$5,090)	\$13,480
2010-11	\$13,480	\$5,580	(\$159)	\$18,901
2011-12	\$18,901	\$ 888	(\$848)	\$18,941

9. PROPOSITION 218

In November 1996, voters approved the "Right to Vote on Taxes Act" (Proposition 218), which limits the District's ability to levy additional property-related benefit assessments without owner approval. In September 1998, the Board approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218. The District's existing benefit assessments are exempt under Proposition 218. However, any future increases to property-related benefit assessments may be subject to property owner approval.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

10. FEDERAL CLEAN WATER ACT

The Federal Clean Water Act (CWA) continues to have a significant impact on the District, although other funding sources, primarily the County of Los Angeles General Fund, have eased some of the impact. As a Permittee under the Los Angeles Municipal Stormwater NPDES Permit (Permit), which is mandated by the CWA, the District continues to:

- Implement programs to minimize urban and stormwater runoff pollution.
- Conduct water quality monitoring.
- Conduct scientific studies to better understand pollutant sources and the effectiveness of management practices.

The District continues to work with stakeholders to find successful and cost-effective solutions to comply with Total Maximum Daily Load (TMDL) regulations. In accordance with the CWA, the United States Environmental Protection Agency promulgates TMDLs to restore and protect the health of the nation's surface water bodies when existing pollution control programs do not attain water quality standards. A TMDL is simply defined as the amount of a pollutant that a water body can receive while meeting water quality standards and an allocation to various sources. Over 30 TMDLs have been adopted in Los Angeles County since 2000. The District continues to collaborate with its municipal partners to keep pollutants out of the flood control system. At the direction of the County's Board of Supervisors, the District is exploring a countywide Water Quality Funding Initiative that, if approved by voters, would implement a property-based storm drainage fee for clean water that can be leveraged to obtain Federal and State funding.

11. COMMITMENTS AND CONTINGENCIES

Propositions 1E - The Disaster Preparedness and Flood Prevention Bond Act of 2006 and 84 – The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006

On November 7, 2006, voters approved infrastructure ballot measures for California State Propositions 1E and 84 which provide for the State to sell bonds to finance projects relating to enhancing flood protection and improving stormwater runoff quality. Both of these measures have potential to provide considerable funding to the District.

To date, the Flood Control District has won \$20 million in grant funding from Proposition 1E for its Santa Anita Dam Seismic Remediation and Spillway project, and the first round of funding for Proposition 84 has been completed, of which 25% of the funding was issued. Although the District received little funding from the first round, it expects to receive funding from the remaining 75%, which is expected to be issued over the next two years.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2012

12. POLLUTION REMEDIATION

The District implemented GASB Statement No. 49 in the fiscal year ended June 30, 2009. GASB Statement No. 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The District is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the District's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notify the District of the need for remedial action. However, the District also conducts its own environmental monitoring to identify pollution sites and matters requiring further investigation and possible remediation. Once the District is aware of a condition, it begins monitoring, assessment, testing and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

Previously identified types of pollution include leaking underground storage tanks, and contamination of water, groundwater and soil. Remediation efforts include remediation and feasibility studies, source identification studies, site testing, sampling and analysis, groundwater cleanup, and removal of underground storage tanks.

As of June 30, 2012, the District's estimated pollution remediation obligations totaled \$10.3 million. These obligations were all associated with the District's government-wide governmental activities. The estimated liabilities were determined by project managers, based on historical cost information for projects of similar sizes, types and complexity, measured at their current value. In subsequent periods, the District will adjust estimated obligations when new information indicates such changes are required. At this time, the District has determined there are no estimated recoveries that would reduce obligations.

13. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, District management has reviewed all known events that have occurred after June 30, 2012, and through December 18, 2012, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (in thousands)

	GENERAL FUND			VARIANCE
	ORIGINAL	FINAL	ACTUAL ON	FROM
	BUDGET	BUDGET	BUDGETARY	FINAL
			BASIS	BUDGET
				POSITIVE
				(NEGATIVE)
<u>REVENUES:</u>				
Taxes	\$ 97,311	\$ 101,264	\$ 101,684	\$ 420
Licenses and permits	695	695	705	10
Fines, forfeitures, and penalties	2,178	2,178	1,500	(678)
Revenue from use of money and property:				
Investment income	2,360	2,360	1,452	(908)
Rents and concessions	7,879	7,879	7,565	(314)
Royalties	634	634	1,154	520
Intergovernmental revenues:				
Federal			769	769
State	852	852	4,502	3,650
Other	5,726	5,726	5,529	(197)
Charges for services	113,349	113,349	116,949	3,600
Miscellaneous	1,219	1,219	4,733	3,514
TOTAL REVENUES	232,203	236,156	246,542	10,386
<u>EXPENDITURES:</u>				
Current - Public protection:				
Services and supplies	194,999	194,699	168,808	25,891
Other charges	20,945	21,245	19,828	1,417
Capital assets-equipment	245	245	177	68
Capital assets-infrastructure	21,479	21,479	12,703	8,776
TOTAL EXPENDITURES	237,668	237,668	201,516	36,152
REVENUES OVER/(UNDER) EXPENDITURES	(5,465)	(1,512)	45,026	46,538
 <u>OTHER FINANCING SOURCES (USES):</u>				
Sales of capital assets	300	300	21	(279)
Transfers in			99	99
Transfers out	(2,835)	(2,835)	(1,018)	1,817
Appropriation for contingencies		8,047		(8,047)
Changes in reserves and designations	(13,956)	(25,956)	(12,435)	13,521
OTHER FINANCING SOURCES (USES)-NET	(16,491)	(20,444)	(13,333)	7,111
NET CHANGE IN FUND BALANCE	(21,956)	(21,956)	31,693	53,649
FUND BALANCE, JULY 1, 2011	21,956	21,956	21,956	
FUND BALANCE, JUNE 30, 2012	\$ -	\$ -	\$ 53,649	\$ 53,649

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

In accordance with the provisions of Section 29000-29144 of the State's Government Code, commonly known as the County Budget Act, District budgets are adopted on or before October 2 of each year. Budgets are adopted for the General Fund and the Debt Service Fund on a basis of accounting which is different from generally accepted accounting principles (GAAP). For the fiscal year ended June 30, 2012, the District's Capital Project Funds were closed. Note 2 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the General Fund.

The District budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board. Each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all District budgets, except for capital asset expenditures, which are controlled on the sub-object level. Expenditures did not exceed the related appropriations within any fund as of June 30, 2012. The District is a blended component unit of the County of Los Angeles (County). The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfer of appropriation between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budgets amounts are reported in the District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund. Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance as provided for in the County Budget Act.

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND U.S. GAAP

The District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund has been prepared on the budgetary basis of accounting which is different from U.S. GAAP. The major areas of difference are as follows:

- Under the budgetary basis, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the District recognizes them as uses of budgetary fund balance. Designations subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-Continued

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND U.S. GAAP-Continued

- Under the budgetary basis, encumbrances and other reserves are also recorded as other financing uses when established. For encumbrances, this occurs at the time contracts and/or purchase agreements are entered into. Under the U.S. GAAP basis, these obligations are only recognized when goods are received or services are rendered. Other reserves are also recognized as other financing uses to indicate that certain assets are not available for appropriation. Cancellations of encumbrances and other fund balance reserves are recorded as other financing sources for budgetary purposes.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the U.S. GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- Under the U.S. GAAP basis, investment income includes the effect of changes in the fair value of investment. Under the budgetary basis, investment income is recognized prior to the effect of such fair value changes.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The following schedule is a reconciliation of the budgetary U.S. GAAP basis fund balances as of June 30, 2012 (in thousands):

	General Fund
Fund Balance – Budgetary Basis (page 41)	\$ 53,649
Reserves and Designations	<u>145,863</u>
Subtotal	199,512
Adjustments:	
Change in Accounts Payable Accruals	(1,645)
Change in Revenue Accruals	<u>(4,737)</u>
Fund Balance – U.S. GAAP Basis (page 20)	<u>\$193,130</u>

Other Supplementary Information

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (in thousands)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 4,576	\$ 1,626	\$ (2,722)	\$ 3,480
TOTAL ASSETS	<u>\$ 4,576</u>	<u>\$ 1,626</u>	<u>\$ (2,722)</u>	<u>\$ 3,480</u>
LIABILITIES				
Deposits payable	\$ (4,576)	\$ (1,626)	\$ 2,722	\$ (3,480)
TOTAL LIABILITIES	<u>\$ (4,576)</u>	<u>\$ (1,626)</u>	<u>\$ 2,722</u>	<u>\$ (3,480)</u>

Statistical Section

STATISTICAL SECTION

The information presented in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the reader of the comprehensive annual financial report. The objective of this statistical section information is to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to better understand and assess the District's overall financial health.

CONTENTS	<u>PAGE</u>
FINANCIAL TRENDS.....	45
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
REVENUE CAPACITY	51
These schedules contain trend information to help the reader assess the District's most significant local revenue source, which is property taxes.	
DEBT CAPACITY	55
These schedules present information to help the reader to assess the District's ability to cover current levels of outstanding debt and the District's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	61
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
OPERATING INFORMATION	63
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it conducts.	

Sources: Unless otherwise noted, the information in these schedules derives from the comprehensive annual financial reports for the applicable year.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NET ASSETS BY CATEGORY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	(1)	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Governmental activities ⁽²⁾											
Invested in capital assets, net of related debt (deficit)	\$	(33,487)	\$ 16,000	\$ 67,884	\$ 5,461,839	\$ 5,515,779	\$ 5,552,586	\$ 5,632,733	\$ 5,749,224	\$ 5,793,007	\$ 5,795,397
Restricted ⁽³⁾		4,769	3,313	1,700	17,759	2,176	503	433	453	142,703	183,593
Unrestricted ⁽⁴⁾		121,973	122,965	122,695	138,795	150,862	168,507	184,559	156,374	99	99
Total government net assets		93,255	142,278	192,279	5,618,393	5,668,817	5,721,596	5,817,725	5,906,051	5,935,809	5,979,089
Primary government											
Invested in capital assets, net of related debt (deficit)		(33,487)	16,000	67,884	5,461,839	5,515,779	5,552,586	5,632,733	5,749,224	5,793,007	5,795,397
Restricted ⁽³⁾		4,769	3,313	1,700	17,759	2,176	503	433	453	142,703	183,593
Unrestricted ⁽⁴⁾		121,973	122,965	122,695	138,795	150,862	168,507	184,559	156,374	99	99
Total primary government net assets	\$	93,255	\$ 142,278	\$ 192,279	\$ 5,618,393	\$ 5,668,817	\$ 5,721,596	\$ 5,817,725	\$ 5,906,051	\$ 5,935,809	\$ 5,979,089

Notes:

- (1) Fiscal year 2005-06 and subsequent years reflect retroactive reporting of capital assets in accordance with GASB 34.
(2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.
(3) Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants.
(4) FYs 2010-11 and 2011-12 reflects a change to restricted and unrestricted net assets as a result of implementing GASB 54 and the closer scrutiny that followed.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CHANGES IN NET ASSETS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Expenses										
Governmental activities ⁽¹⁾										
General government										
Public protection	\$ 149,353	\$ 150,623	\$ 147,942	\$ 163,535	\$ 180,993	\$ 208,861	\$ 149,882	\$ 150,866	\$ 201,156	\$ 199,282
Contribution to Los Angeles County									1,159	1,018
Interest on long-term debt	9,293	6,199	5,534	5,788	5,554	4,933	4,379	3,744	3,006	2,210
Total governmental activities expenses	158,646	156,822	153,476	169,323	186,547	213,794	154,261	154,610	205,321	202,510
Total primary government expenses	158,646	156,822	153,476	169,323	186,547	213,794	154,261	154,610	205,321	202,510
Program Revenues										
Governmental activities										
Charges for services										
Benefit Assessments	108,685	109,028	109,544	109,390	109,136	108,688	110,653	107,295	109,430	109,666
Other charges for services	14,368	11,538	9,164	12,104	12,683	21,090	26,632	20,297	13,641	18,006
Subtotal governmental activities charges for services	123,053	120,566	118,708	121,494	121,819	129,778	137,285	127,592	123,071	127,672
Operating grants and contributions	1,194	5,600	4,931	7,125	12,085	8,630	9,757	11,218	4,929	4,439
Capital grants and contributions	1,448	533	926	4,172	1,785	1,797				
Total governmental activities program revenue	125,695	126,699	124,565	132,791	135,689	140,205	147,042	138,810	128,000	132,111
Total primary government revenues	125,695	126,699	124,565	132,791	135,689	140,205	147,042	138,810	128,000	132,111
Net (expense)/revenue:										
Government activities	(32,951)	(30,123)	(28,911)	(36,532)	(50,858)	(73,589)	(7,219)	(15,800)	(77,321)	(70,399)
Total primary government net expenses	\$ (32,951)	\$ (30,123)	\$ (28,911)	\$ (36,532)	\$ (50,858)	\$ (73,589)	\$ (7,219)	\$ (15,800)	\$ (77,321)	\$ (70,399)

Continued. .

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED) - Continued
 LAST TEN FISCAL YEARS (in thousands)
 (accrual basis of accounting)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Revenues and Other Changes in Net Assets										
Governmental activities ⁽¹⁾										
Property taxes	\$ 69,518	\$ 72,723	\$ 70,937	\$ 76,423	\$ 88,858	\$ 95,272	\$ 100,136	\$ 96,514	\$ 96,214	\$ 100,991
Unrestricted grants and contributions	3,042	3,197	2,984	3,443	5,653	5,589	6,978	7,390	7,205	6,362
Investment earnings	2,183	957	2,582	4,961	6,613	6,699	4,762	2,444	1,008	1,911
Miscellaneous	8,001	2,269	2,409	1,429	158	1,332	1,597	1,773	2,652	4,415
Subtotal governmental activities	82,744	79,146	78,912	86,256	101,282	108,892	113,473	108,121	107,079	113,679
Total primary government	82,744	79,146	78,912	86,256	101,282	108,892	113,473	108,121	107,079	113,679
 Changes in Net Assets										
Government activities	49,793	49,023	50,001	49,724	50,424	35,303	106,254	92,321	29,758	43,280
Total primary government	\$ 49,793	\$ 49,023	\$ 50,001	\$ 49,724	\$ 50,424	\$ 35,303	\$ 106,254	\$ 92,321	\$ 29,758	\$ 43,280

Notes:

(1) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 ⁽³⁾	2011-12 ⁽³⁾
General Fund										
Reserved for:										
Encumbrances	\$ 85,409	\$ 87,511	\$ 91,506	\$ 104,637	\$ 100,464	\$ 112,849	\$ 116,125	\$ 98,980	\$ -	\$ -
Special purposes	3,008	3,008	3,008	3,011	3,011	12,011	3,010	3,011		
Unreserved, designated for:										
Flood control projects	19,478	19,478	18,099	26,049	33,814	13,314	49,789	49,789		
Unreserved, undesignated, reported in:										
General Fund	7,153	7,748	6,834	(260)	6,091	20,123	15,759	6,814		
Restricted										
Capital projects									65,314	91,270
Public protection									85,964	101,761
Assigned										99
Subtotal General Fund	115,048	117,745	119,447	133,437	143,380	158,297	184,683	158,594	151,278	193,130
All Other governmental Funds ^{(1), (2)}										
Reserved for:										
Debt service	4,654	3,270	1,603	836	663	51	59	353		
Unreserved, undesignated, reported in:										
Capital projects funds	220	101	116	15,147	1,516	452	374	100		
Restricted									344	
Committed									99	
Subtotal all other government funds	4,874	3,371	1,719	15,983	2,179	503	433	453	443	-
Total governmental fund balance	\$ 119,922	\$ 121,116	\$ 121,166	\$ 149,420	\$ 145,559	\$ 158,800	\$ 185,116	\$ 159,047	\$ 151,721	\$ 193,130

Notes:

(1) FY 2002-03 thru FY 2009-10 have not been restated for the implementation of the GASB Statement No. 54.

(2) "All Other Governmental Funds" consist of the Debt Service and Capital Projects Funds.

(3) The County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned. The governmental funds are reported in the new required format beginning FY 2010-11.

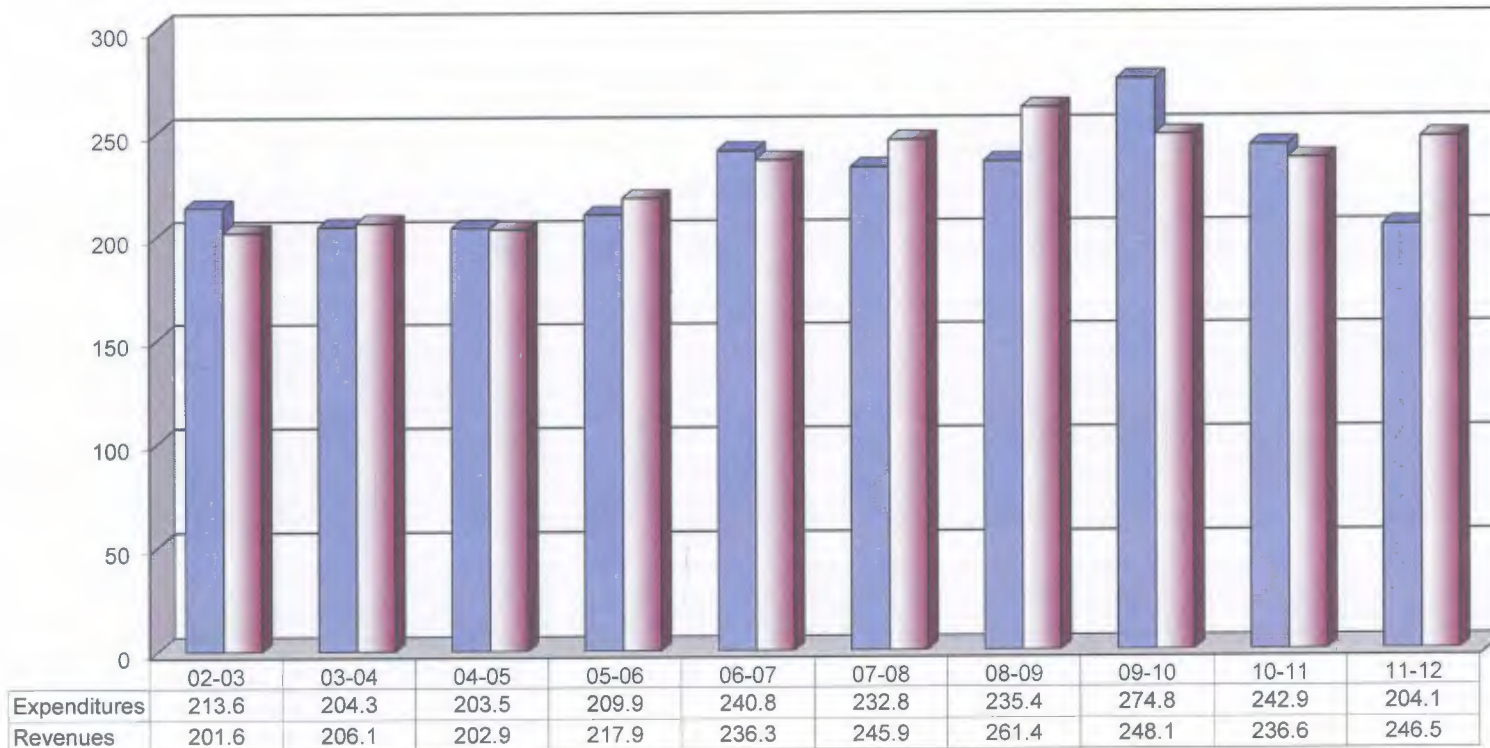
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues (by source)										
Taxes	\$ 69,505	\$ 72,689	\$ 70,994	\$ 75,397	\$ 88,605	\$ 93,157	\$ 100,611	\$ 97,690	\$ 97,232	\$ 101,735
Licenses, permits, and franchises	535	231	308	394	514	741	606	593	595	705
Fines, forfeitures, and penalties	1,681	2,802	1,226	1,196	1,060	1,440	1,913	2,215	1,824	1,500
Revenues from use of money and property										
Interest	2,183	957	2,582	4,961	6,613	6,700	4,762	2,444	1,008	1,911
Rents and royalties	6,133	6,802	5,191	7,028	7,301	7,797	8,281	8,425	7,175	8,719
Intergovernmental revenues:										
Federal	2,347	5,240	4,065	4,095	5,375	6,086	2,086	11,108	3,642	769
State	1,106	1,695	2,633	8,036	9,324	3,397	8,515	960	2,125	4,502
Other	2,232	2,396	2,142	2,609	4,824	4,747	6,134	6,539	6,366	5,529
Charges for services	115,003	111,697	112,653	113,296	112,524	118,798	126,963	116,615	113,999	116,758
Miscellaneous	855	1,554	1,128	869	187	3,038	1,566	1,482	2,620	4,383
Total Revenues	201,580	206,063	202,922	217,881	236,327	245,901	261,437	248,071	236,586	246,511
Expenditures (by function)										
Current										
Public protection	176,503	179,170	179,364	179,100	205,119	188,994	215,492	245,303	210,730	179,223
Debt Services										
Principal	24,026	16,205	16,065	14,580	14,280	14,350	14,505	15,095	15,815	16,600
Interest	9,585	6,667	5,676	5,796	5,560	5,112	4,576	3,983	3,267	2,484
Capital outlay	3,535	2,228	2,439	10,422	15,828	24,379	861	10,456	13,051	5,798
Total Expenditures	213,649	204,270	203,544	209,898	240,787	232,835	235,434	274,837	242,863	204,105
Excess of Revenues over (under) Expenditures	(12,069)	1,793	(622)	7,983	(4,460)	13,066	26,003	(26,766)	(6,277)	42,406
Other Financing Sources (Uses)										
Sales of capital assets	243	708	1,281	757	599	175	281	368	70	21
Transfers in from County of Los Angeles							32	328	40	0
Transfers in	18,482	17,587	17,582	39,517	19,050	19,327	19,078	19,353	19,069	19,093
Transfers out	(18,482)	(17,587)	(17,582)	(39,517)	(19,050)	(19,327)	(19,078)	(19,353)	(19,069)	(19,093)
Proceeds of long-term debt				20,540						
Contribution to Los Angeles County	(903)	(1,306)	(609)	(1,026)					(1,159)	(1,018)
Proceeds of refunding bonds	143,195									
Payment to refunded bonds escrow agent	(143,195)									
Bond premium proceeds	8,513									
Miscellaneous	1,700									
Total other financing sources (uses)	9,553	(598)	672	20,271	599	175	313	696	(1,049)	(997)
Net Change in fund balance	\$ (2,516)	\$ 1,195	\$ 50	\$ 28,254	\$ (3,861)	\$ 13,241	\$ 26,316	\$ (26,070)	\$ (7,326)	\$ 41,409
Debt service as a percentage of noncapital expenditures ⁽¹⁾	18.77%	13.72%	13.10%	16.51%	13.48%	12.90%	18.25%	18.42%	12.75%	12.63%

Notes:

(1) The debt service calculations make use of the capital outlay expenditure balances as presented on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT **Governmental Funds Expenditures and Revenues** **Last 10 Fiscal Years**



In Millions of Dollars

■ Expenditures ■ Revenues

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED) ^{(1), (2)}
LAST TEN FISCAL YEARS (in thousands)

<u>Fiscal Year</u>	<u>Secured</u> ⁽³⁾	<u>Unsecured</u> ⁽⁴⁾	<u>Unitary</u> ⁽⁵⁾	<u>Exempt</u> ⁽⁶⁾	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2002 - 2003	\$ 632,815,105	\$ 43,785,523	\$ 12,357,025	\$ (28,702,612)	\$ 660,255,041	1.00000%
2003 - 2004	683,216,372	44,745,197	11,587,736	(29,937,047)	709,612,258	1.00000%
2004 - 2005	738,658,957	43,898,983	10,648,846	(31,851,689)	761,355,097	1.00000%
2005 - 2006	813,276,803	43,964,997	10,718,105	(32,058,237)	835,901,668	1.00000%
2006 - 2007	905,276,182	45,783,429	10,638,106	(36,182,793)	925,514,924	1.00000%
2007 - 2008	990,301,135	48,543,926	11,158,201	(40,091,971)	1,009,911,291	1.00000%
2008 - 2009	1,057,718,427	52,279,248	12,298,465	(41,418,999)	1,080,877,141	1.00000%
2009 - 2010	1,055,807,331	53,193,853	11,891,981	(45,881,461)	1,075,011,704	1.00000%
2010 - 2011	1,040,789,623	49,744,044	12,120,596	(47,184,173)	1,055,470,090	1.00000%
2011 - 2012	1,058,615,951	48,214,334	12,950,932	(49,248,993)	1,070,532,224	1.00000%

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop. 13), the County does not track the estimated actual value of all County properties. Under Prop. 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on property not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop. 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.
- (3) Secured property is generally real property and is defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (4) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (5) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization.
- (6) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Source:

Auditor-Controller, County of Los Angeles Taxpayers' Guide.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES FOR TAX RATE AREA #4 (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	County Direct Rates		Overlapping Rates				Total Rates
	Los Angeles General	Los Angeles County Detention Facilities ⁽¹⁾	Flood Control Districts ⁽¹⁾	Los Angeles City Tax District No. 1	School Districts	Metropolitan Water District	
2002 - 2003	1.00000	0.001033	0.000881	0.042312	0.051571	0.006700	1.102497
2003 - 2004	1.00000	0.000992	0.000462	0.050574	0.097002	0.006100	1.155130
2004 - 2005	1.00000	0.000923	0.000245	0.055733	0.106937	0.005800	1.169638
2005 - 2006	1.00000	0.000795	0.000049	0.051289	0.098634	0.005200	1.155967
2006 - 2007	1.00000	0.000663	0.000052	0.045354	0.128276	0.004700	1.179045
2007 - 2008	1.00000	0.000000	0.000000	0.038051	0.132136	0.004500	1.174687
2008 - 2009	1.00000	0.000000	0.000000	0.038541	0.146897	0.004300	1.189738
2009 - 2010	1.00000	0.000000	0.000000	0.041220	0.174921	0.004300	1.220441
2010 - 2011	1.00000	0.000000	0.000000	0.038895	0.227264	0.003700	1.269859
2011 - 2012	1.00000	0.000000	0.000000	0.038666	0.203483	0.003700	1.245849

Notes:

- (1) The Secured Tax Rate and Ratios Report no longer includes the Detention Facilities and Flood Control Districts rates, as these bonds have matured.
- (A) The tax rate for Tax Rate Area #4, which applies to most property within the City of Los Angeles, is used to illustrate the breakdown of a tax rate within the County.
- (B) Article XIII A (Proposition 13) limits the maximum ad valorem tax rate to 1% of "full cash value" except for indebtedness approved by the voters prior to July 1, 1978. All other rates are calculated per \$100 of assessed value.
- (C) An exception to the 1% limit was provided by Proposition 46 that was approved in June 1986 re-establishing authority of local governments to issue general obligation bonds for certain purposes.
- (D) The County is divided into 11,969 tax rate areas which are unique combinations of various jurisdictions servicing a specific geographic area.

Source:

Secured Tax Rate and Ratios Report from the County of Los Angeles Auditor-Controller, Tax Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED) ⁽¹⁾
 CURRENT YEAR AND NINE YEARS AGO
 JUNE 30, 2012 AND JUNE 30, 2003 (in thousands)

Taxpayer	2012			2003		
	Net Assessed Secured Property		Percentage of Total Net Assessed Value ⁽²⁾	Net Assessed Secured Property		Percentage of Total Net Assessed Value ⁽²⁾
	Value	Rank		Value	Rank	
Southern California Edison Co.	\$ 5,176,229	1	0.51%	\$ 2,835,845	2	0.46%
Douglas Emmett Residential	3,195,861	2	0.31%	1,682,473	5	0.27%
BP West CoBP West Coast/ARCO/Shell Oil Co.	2,378,646	3	0.23%			
Maguire Properties	2,284,242	4	0.22%			
Verizon/MCI Communications Services, Inc.	1,930,750	5	0.19%	1,679,106	6	0.27%
Chevron USA Inc/Texaco	1,908,995	6	0.19%	2,137,087	3	0.35%
AT&T/Pacific Bell/SBC	1,765,521	7	0.17%			
Trizec Wilshire Center LLC	1,707,153	8	0.17%			
Exxon/Mobil Corporation	1,636,074	9	0.16%	1,621,765	7	0.26%
Southern California Gas Co.	1,614,617	10	0.16%	1,549,124	8	0.25%
Pacific Bell				2,868,959	1	0.47%
Atlantic Richfield Co.				1,861,727	4	0.30%
Arden Realty LTD Partnership				1,291,472	9	0.21%
Tosco Corporation				1,136,429	10	0.18%
Total	\$ 23,598,088		2.31%	\$ 18,663,987		3.02%

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$1,022,317,890 as of June 30, 2012 is based on Secured \$1,058,615,951 plus Unitary \$12,950,932 less exemptions of \$49,248,993. Total assessed value, \$616,469,518 as of June 30, 2003 is based on Secured \$632,815,105 plus Unitary \$12,357,025 less exemptions of \$28,702,612 (in thousands).

Source:

County of Los Angeles Treasurer and Tax Collector.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Collections Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u> ⁽¹⁾	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002 - 2003	\$ 67,717,809	\$ 65,555,310	96.8%	\$ 1,624,946	\$ 67,180,256	99.2%
2003 - 2004	69,320,656	67,488,837	97.4%	1,881,330	69,370,167	100.0%
2004 - 2005	72,588,020	70,524,175	97.2%	1,692,673	72,216,848	99.5%
2005 - 2006	76,988,018	74,737,311	97.1%	1,448,958	76,186,269	99.0%
2006 - 2007	84,892,868	81,430,786	95.9%	1,510,369	82,941,155	97.7%
2007 - 2008	92,174,252	87,339,670	94.8%	2,177,696	89,517,366	97.1%
2008 - 2009	98,388,453	93,632,370	95.2%	4,124,049	97,756,419	99.4%
2009 - 2010	97,457,266	94,129,015	96.6%	4,142,047	98,271,062	100.0%
2010 - 2011	96,612,618	94,229,540	97.5%	3,293,800	97,523,340	100.0%
2011 - 2012	98,308,763	96,212,873	97.9%	2,079,160	98,292,034	100.0%

Note:

(1) Reflects property taxes levied in prior years but collected in the current year.

Source:

Tax ledgers for the Flood Control District provided by the Auditor-Controller Accounting Division, Property Tax Section.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands, except per capita)

Governmental Activities

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Accreted Interest</u>	<u>Unamortized Bond Premiums</u>	<u>Unamortized Loss on Advance Debt Refund</u>	<u>Pension Bonds Payable</u>	<u>Capital Leases</u>	<u>Total Primary Government</u> ⁽¹⁾	<u>Percentage of Assessed Value</u> ⁽²⁾	<u>Per Capita</u> ⁽³⁾
2002 - 2003	\$ 10,955	\$ 143,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,150	0.023%	\$ 15.45
2003 - 2004	6,155	131,790	-	-	-	-	-	137,945	0.019%	13.65
2004 - 2005	2,265	119,615	-	-	-	-	-	121,880	0.016%	11.92
2005 - 2006	1,080	126,760	-	-	-	-	-	127,840	0.015%	12.48
2006 - 2007	370	113,190	-	-	-	-	-	113,560	0.012%	10.99
2007 - 2008	0	99,210	-	-	-	-	-	99,210	0.010%	9.57
2008 - 2009	0	84,705	-	-	-	-	-	84,705	0.008%	8.15
2009 - 2010	0	69,610	-	-	-	-	-	69,610	0.006%	6.67
2010 - 2011	0	53,795	-	-	-	-	-	53,795	0.005%	5.10
2011 - 2012	0	37,195	-	-	-	-	-	37,195	0.003%	3.73

Notes:

- (1) Details regarding the Flood Control District's outstanding debt can be found in the Basic Notes to the Financial Statements.
(2) See the "Demographic and Economic Statistics" schedule for population figures.
(3) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

Source:

Los Angeles County Flood Control District Financial Statements from Fiscal Year 2002-03 to Fiscal Year 2011-12.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RATIO OF NET GENERAL BONDED DEBT (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands except ratio and per capita)**

Fiscal Year	Population ^{(1) & (2)}	Assessed Value ^{(1), (2)}	General Bonded Debt ⁽³⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita
2002-03	9,979	\$ 660,255,041	\$ 10,955	0.000017	1.0978
2003-04	10,103	709,612,258	6,155	0.000009	0.6092
2004-05	10,226	761,355,097	2,265	0.000003	0.2215
2005-06	10,246	835,901,668	1,080	0.000001	0.1054
2006-07	10,332	925,514,924	370	0.000000	0.0358
2007-08	10,364	1,009,911,291	0	0.000000	0.0000
2008-09	10,393	1,080,877,141	0	0.000000	0.0000
2009-10	10,441	1,075,011,704	0	0.000000	0.0000
2010-11	10,557	1,055,470,090	0	0.000000	0.0000
2011-12	9,960	1,070,532,224	0	0.000000	0.0000

Notes:

- (1) See "Demographic and Economic Statistics" table for population and "Revenue Capacity" table for assessed value.
- (2) This information represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (3) Long-term general bonded debt outstanding included Detention Facilities and Flood Control general obligation bonds. The Detention Facilities matured on June 1, 2007 and the Flood Control bonds matured on November 1, 2007.

Source:

Los Angeles Economic Development Corporation Economic Forecast: website: www.laedc.com

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
JUNE 30, 2012

2011-12 Net Assessed Valuation
Redevelopment Incremental Valuation
Full Cash Value (2011-12)
Population - (2012)

\$ 1,070,532,224,196
137,535,643,001
\$ 932,996,581,195 ⁽¹⁾
9,959,800 ⁽²⁾

DIRECT TAX AND ASSESSMENT DEBT:

Los Angeles County Flood Control District
Subtotal Direct Tax and Assessment Debt

Percent Applicable	Debt June 30, 2012
100	\$ 37,195,000
	\$ 37,195,000

OVERLAPPING TAX AND ASSESSMENT DEBT:

Metropolitan Water District
Los Angeles Community College District
Other Community College Districts
Arcadia Unified School District
Beverly Hills Unified School District
Glendale Unified School District
Long Beach Unified School District
Los Angeles Unified School District
Pasadena Unified School District
Pomona Unified School District
Santa Monica-Malibu Unified School District
Torrance Unified School District
Other Unified School Districts
High School and School Districts
City of Los Angeles
City of Los Angeles Special Tax Lease Revenue Bonds
City of Industry
Other Cities
Palos Verdes Library District
Community Facilities Districts
Los Angeles County Regional Park & Open Space
Assessment District
1915 Act and Benefit Assessment Bonds - Estimate
Subtotal Overlapping Tax and Assessment Debt
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT

47.874	94,093,953
100	3,504,910,000
Various ⁽³⁾	2,010,225,880
100	169,484,793
100	180,084,540
100	170,984,986
100	536,652,292
100	11,279,905,000
100	271,585,000
100	206,818,331
100	221,815,034
100	194,008,533
Various ⁽³⁾	2,827,877,151
Various ⁽³⁾	1,478,182,151
100	1,215,615,000
100	39,340,000
100	146,695,000
100	84,065,000
100	5,575,000
100	813,597,204
100	170,725,000 ⁽⁴⁾
100	136,299,858
	\$ 25,758,539,706
	\$ 25,795,734,706

DIRECT GENERAL FUND OBLIGATION DEBT:

Los Angeles County General Fund Obligations
Subtotal Direct General Fund Obligation Debt

100	\$ 1,474,122,758 ⁽⁵⁾
	\$ 1,474,122,758

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Los Angeles County Office of Education Certificates of Participation
Community College District Certificate of Participation
Baldwin Park Unified School District Certificates of Participation
Compton Unified School District Certificates of Participation
Los Angeles Unified School District Certificates of Participation
Pomona Unified School District Certificates of Participation
Other Unified School District Certificates of Participation

100	\$ 11,269,678
Various ⁽⁶⁾	56,403,701
100	52,950,000
100	28,625,000
100	419,851,037
100	28,960,000
Various ⁽⁶⁾	150,030,511

(Continued)

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued
JUNE 30, 2012

High School and School District General Fund Obligations	Various ⁽⁶⁾	155,841,390
City of Beverly Hills General Fund Obligations	100	205,410,000
City of Los Angeles General Fund & Judgment Obligations	100	1,954,450,000
City of Long Beach General Fund Obligations	100	203,590,000
City of Long Beach Pension Obligations	100	54,520,000
City of Pasadena General Fund Obligations	100	487,496,705
City of Pasadena Pension Obligations	100	144,687,765
Other Cities' General Fund Obligations	100	1,338,582,613
Los Angeles County Sanitation Districts General Fund Obligations	100	292,005,646
Subtotal Overlapping General Fund Obligation Debt		\$ 5,584,674,046
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		7,058,796,804
Less: Los Angeles County Lease Revenue Bonds supported by landfill revenues		(16,698,164)
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investments funds		(4,409,000)
Cities' self-supporting bonds		(180,098,544)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,857,591,096
GROSS COMBINED TOTAL DEBT		\$ 32,854,531,510 ⁽⁷⁾
NET COMBINED TOTAL DEBT		\$ 32,653,325,802

TOTAL GROSS DIRECT DEBT	\$	1,511,317,758
TOTAL NET DIRECT DEBT	\$	1,494,619,594
TOTAL GROSS OVERLAPPING DEBT	\$	31,343,213,752
TOTAL NET OVERLAPPING DEBT	\$	31,158,706,208

RATIOS TO 2011-12 NET ASSESSED VALUATION

Total Overlapping Tax and Assessment Debt	2.41%
-------------------------------------------	-------

RATIOS TO FULL CASH VALUE

Gross Combined Direct Debt (\$1,511,317,758)	0.16%
Net Combined Direct Debt (\$1,494,619,594)	0.16%
Gross Combined Total Debt	3.52%
Net Combined Total Debt	3.50%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/12: 0

Notes:

- (1) This balance is reduced by homeowners exemptions of \$8,116,759,497.
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance, and the U.S. Census Bureau as of January 1 of each year.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint UHSD and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
- (4) Excludes refunding issue to be sold.
- (5) Excludes tax and revenue anticipation notes to be sold.
- (6) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
- (7) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease and tax allocation obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

Source:

California Municipal Statistics - for general information purposes only.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

						COMPUTATION OF LEGAL DEBT MARGIN June 30, 2012	
<u>Fiscal Year</u>	<u>Assessed Value</u> ⁽¹⁾	<u>Legal Debt Limit</u> ⁽²⁾	<u>Total Net Applicable Debt</u>	<u>Legal Debt Margin</u> ⁽³⁾	<u>Legal Debt Margin/ Debt Limit</u>		
2002 - 2003	\$ 660,255,041	\$ 8,253,188	\$ 10,955	\$ 8,242,233	99.87%	Assessed valuation (net taxable)	\$ 1,070,532,224
2003 - 2004	709,612,258	8,870,153	6,155	8,863,998	99.93%	Applicable percentage in computing capacity	1.25%
2004 - 2005	761,355,097	9,516,939	2,265	9,514,674	99.98%	Total debt limit	\$ 13,381,653
2005 - 2006	835,901,668	10,448,771	1,080	10,447,691	99.99%		
2006 - 2007	925,514,924	11,568,937	370	11,568,567	100.00%	Less: Total net applicable debt	-
2007 - 2008	1,009,911,291	12,623,891	0	12,623,891	100.00%		
2008 - 2009	1,080,877,141	13,510,964	0	13,510,964	100.00%	Legal debt margin, June 30, 2012	\$ 13,381,653
2009 - 2010	1,075,011,704	13,437,646	0	13,437,646	100.00%		
2010 - 2011	1,055,470,090	13,193,376	0	13,193,376	100.00%		
2011 - 2012	1,070,532,224	13,381,653	0	13,381,653	100.00%		

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value and Actual Value of Taxable Property" schedule. This information above represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) The Legal Debt Limit is 1.25% of assessed value.
- (3) The Legal Debt Margin is the Flood Control District's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable from the Legal Debt Limit.

Source:

County of Los Angeles Auditor-Controller.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PLEDGED-REVENUE COVERAGE (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)

Revenue Bonds

<u>Fiscal Year</u>	<u>Revenue Collected</u>	<u>Debt Service</u>		<u>Total</u>	<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2002 - 2003	\$ 115,003	\$ 143,195	\$ 39,003	\$ 182,198	0.63
2003 - 2004	111,697	131,790	32,821	164,611	0.68
2004 - 2005	112,653	119,615	27,414	147,029	0.77
2005 - 2006	113,296	126,760	31,159	157,919	0.72
2006 - 2007	112,524	113,190	25,642	138,832	0.81
2007 - 2008	118,798	99,210	20,539	119,749	0.99
2008 - 2009	126,963	84,705	15,962	100,667	1.26
2009 - 2010	116,615	69,610	11,978	81,588	1.43
2010 - 2011	113,999	53,795	8,712	62,507	1.82
2011 - 2012	116,758	37,195	6,228	43,423	2.69

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED) ⁽¹⁾
LAST TEN FISCAL YEARS (in thousands)**

<u>Year</u>	<u>Population</u> <u>County of</u> <u>Los Angeles</u> *	<u>Personal</u> <u>Income</u> *	<u>Per Capita</u> <u>Personal</u> <u>Income</u> ⁽²⁾	<u>School</u> <u>Enrollment</u> ^{(3) **}	<u>Unemployment</u> <u>Rate</u>
2003	9,979	\$ 310,044,000	\$ 31,070	1,736	7.0%
2004	10,103	329,048,000	32,569	1,742	6.5%
2005	10,226	349,868,000	34,214	1,734	5.3%
2006	10,246	370,860,000	36,196	1,708	4.5%
2007	10,332	379,824,000	36,762	1,673	4.4%
2008	10,364	411,000,000	39,657	1,648	6.2%
2009	10,393	392,000,000	37,718	1,632	11.7%
2010	10,441	405,000,000	38,789	1,575	12.3%
2011	10,557	427,000,000	40,447	1,590	12.4%
2012	9,960	444,200,000	44,598	1,575	11.5% ⁽⁴⁾

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Amounts shown are in actual dollars (not thousands).
- (3) Public school enrollment.
- (4) Amount is projection as of February 2012.

Sources:

- * Los Angeles Economic Development Corporation Economic Forecast: website address: www.laedc.com
- ** California Department of Education website address: www.cde.ca.gov.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
TEN LARGEST INDUSTRIES (UNAUDITED) ^{(1), (2)}
CURRENT YEAR AND NINE YEARS AGO

	JUNE 30, 2012			JUNE 30, 2003		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total</u>
<u>Industry</u>						
Trade, Transportation and Utilities	750,300	1	17.51%	771,800	1	17.53%
Government	573,100	2	13.37%	610,400	2	13.87%
Professional & Business Services	558,600	3	13.03%	560,500	3	12.73%
Educational & Health Services	538,300	4	12.56%	457,300	5	10.39%
Leisure & Hospitality	412,200	5	9.62%	368,000	6	8.36%
Manufacturing	361,200	6	8.43%	503,800	4	11.45%
Financial Activities	214,800	7	5.01%	239,000	7	5.43%
Information	200,200	8	4.67%	193,700	8	4.40%
Other Services	136,400	9	3.18%	147,200	9	3.34%
Construction	111,200	10	2.59%	135,300	10	3.07%
Ten largest industries	3,856,300		89.97%	3,987,000		90.58%
All other industries	430,100		10.03%	414,600		9.42%
Total industries	4,286,400		100.00%	4,401,600		100.00%

Notes:

- (1) This schedule is based on the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) We are presenting employment by industry because we have been unable to obtain employment numbers for individual employers.

Sources:

State of California Employment Development Department website address: www.edd.ca.gov/labormarketinfo.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS**

Function/Program ^{(1), (2)}	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Government	11,063	11,201	10,915	11,018	11,185	11,692	11,605	11,100	10,831	10,680
Public Protection ^{(3), (4)}	38,175	37,688	37,065	38,049	39,528	41,560	42,583	36,378	35,428	35,433
Health and Sanitation	27,056	26,079	26,322	26,717	27,072	27,395	27,345	26,826	26,133	26,029
Public Assistance	19,310	19,048	19,132	19,540	20,329	20,867	20,940	20,665	20,280	20,043
Education	1,706	1,722	1,722	1,828	1,871	1,878	1,829	1,622	1,481	1,431
Recreation and Cultural Services	2,406	2,388	2,324	2,393	2,649	2,977	3,075	2,861	2,761	2,812
Total	99,716	98,126	97,480	99,545	102,634	106,369	107,377	99,452	96,914	96,428

Notes:

- (1) Full-time equivalent count is calculated by dividing the total number of man-months paid by 12. Full-time equivalent employees include all employees on the County's payroll system. This accounts for the difference between the total number of County employees on this schedule and the number of County employees per the "Principal Employers" schedule.
- (2) Specific data for Public Ways and Facilities is not available.
- (3) Beginning with 2009-10, total reflects the exclusion of Superior Court employees that are no longer on the County's payroll and are identified as State employees.
- (4) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area. Full-time equivalent County employees in the Flood Control District are reflected under the Public Protection Function/Program.

Source:

Employee Count study performed by the County of Los Angeles Auditor-Controller, Accounting Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u> (Estimate)
Public Protection										
Flood Control										
Operation and maintenance costs per mile of storm drain maintained	\$ 1,088	\$ 1,309	\$ 1,602	\$ 2,423	\$ 2,127	\$ 2,312	\$ 2,712	\$ 2,753	\$ 3,451	\$ 2,545
Operation and maintenance costs per mile of channel maintained	45,459	51,864	46,046	54,977	46,530	53,235	50,413	44,375	54,852	59,000
Operation and maintenance costs per thousand cubic yards of debris basin capacity	1,664	915	1,741	1,137	918 (1)	1,142 ⁽¹⁾	2,096 ⁽¹⁾	2,365 ⁽¹⁾	2,161	1,668
Operation and maintenance costs per acre-foot of dam capacity	148	197	211	135	119 (1)	139 ⁽¹⁾	139 ⁽¹⁾	144 ⁽¹⁾	149	151
Total	\$ 48,359	\$ 54,285	\$ 49,600	\$ 58,672	\$ 49,694	\$ 56,828	\$ 55,360	\$ 49,637	\$ 60,613	\$ 63,364

Notes:

(1) Excludes cost for sediment removal.

Sources:

FYs 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 Proposed County Budgets, Volume One.
FYs 2010-11 and 2011-12 provided by Department of Public Works, Flood Maintenance Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST NINE FISCAL YEARS

<u>Function/Program</u> ⁽¹⁾	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Public Protection									
Linear Feet of Channel	2,924,837	2,924,837	2,926,093	2,929,431	2,933,167	2,944,493	2,944,493	2,957,914	2,970,206
Linear Feet of Storm Drain	15,077,213	15,087,435	15,150,380	15,198,381	15,270,645	15,339,825	15,387,010	15,502,797	15,594,973
CDS Unit	17	17	17	17	24	33	47	57	65
Debris Basin	129	129	129	129	131	132	135	136	142
Debris Retaining Inlet	260	260	260	260	268	270	277	286	14,728
Detention Retention B	21	21	21	21	21	21	21	22	24
Crib Dam	234	234	234	234	234	234	234	234	234
Barrier	3	3	3	3	6	6	6	9	9
Pump Plant	52	52	52	53	53	53	53	53	53
Spreading Ground	26	26	26	26	26	26	26	26	26
Dam	15	15	15	15	15	15	15	15	15
Stream Gauging Station	60	60	60	60	60	60	60	60	60
Catch Basin	77,827	77,827	77,827	77,827	77,847	77,856	77,856	79,550	80,389

Notes:

(1) Trend data is available for only the prior eight years since the implementation of GASB 34.

Sources:

"Flood Network" for FY 2003-04 thru FY 2011-12 provided by County of Los Angeles Department of Public Works, Fiscal Division, Expenditure Management Section, Property Unit.

Photo Gallery

Los Angeles County Flood Control District

Fiscal Year 2012 – Photo Gallery

Tujunga Wash-Hansen Spreading Grounds Intake Improvements

The Hansen Spreading Grounds is a 120-acre parcel located adjacent to the Tujunga Wash Channel downstream from the Hansen Dam. The site is utilized for recharging the San Fernando Groundwater Basin. The Los Angeles County Flood Control District modernized the facility to increase intake and storage capacity, thereby improving groundwater recharge, flood protection, and water quality.



Construction of the new Rubber Dam at Hansen Spreading Ground.

The project improved the intake capacity and operations of the spreading grounds by installing a new, more operationally efficient inflatable rubber dam gate system in the Tujunga Wash Channel. The new rubber dam can divert flows of more than 1,500 cubic feet per second into the spreading grounds to increase groundwater recharge.



Hansen Spreading Grounds New Rubber Dam.

Tujunga Wash Ecosystem Restoration Project



A manmade creek runs along the westside of the Tujunga Wash Ecosystem Restoration Project as it makes it way to underground water reservoirs.



A snowy white egret patiently looks for food in the manmade creek that runs along the westside of the Tujunga Wash Ecosystem Restoration Project. The second phase of the Tujunga Wash Project completed in August 2012.

Morris Dam Inlet/Outlet Rehabilitation Project

The Morris Dam Inlet/Outlet Rehabilitation Project will modernize the dam and provide long-term reliability for this critical flood control and water supply facility. The project includes new valves, electrical systems, control system, and a new control building.



Installation of a 40-inch jet flow gate.



A 96-inch Butterfly Valve is being prepared to be moved into the valve chamber inside Morris Dam.

Morris Dam Inlet/Outlet Rehabilitation Project

Construction Cost: \$9,600,000

Proposition 50 Grant Funding: \$5,135,635



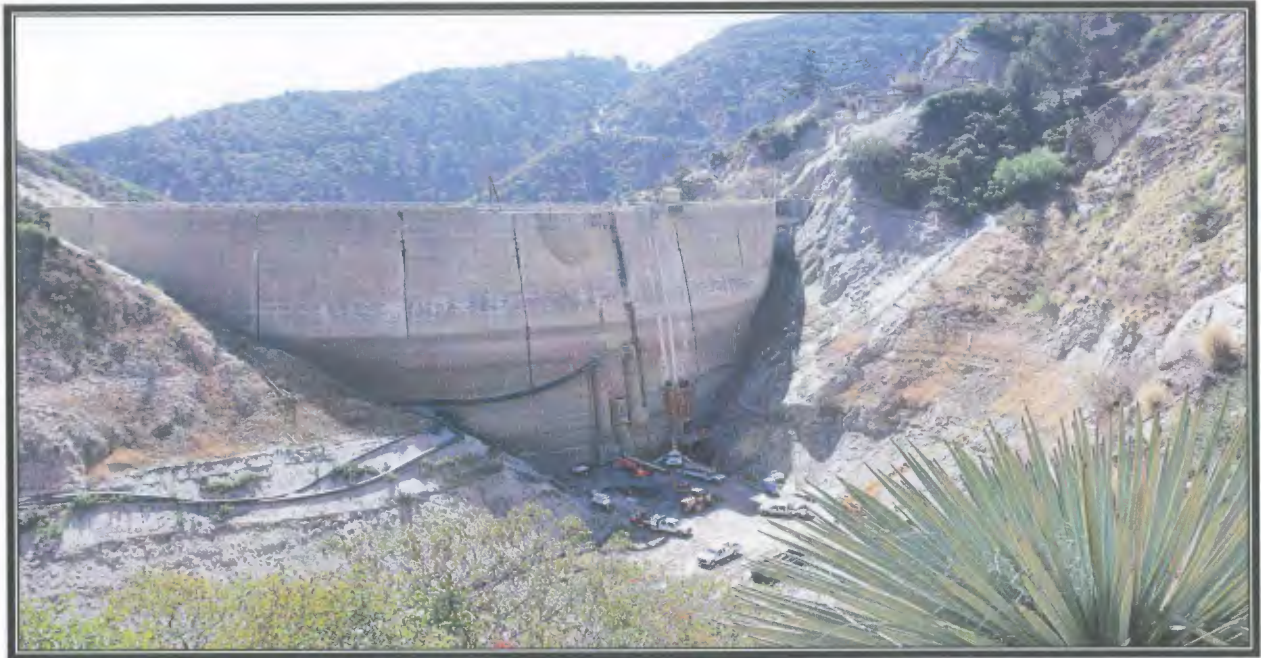
Testing the new 40-inch Jet Flow Gate Valve.



Water is being released from the Morris Dam.

**Los Angeles County Flood Control District
Photo Gallery**

Santa Anita Dam



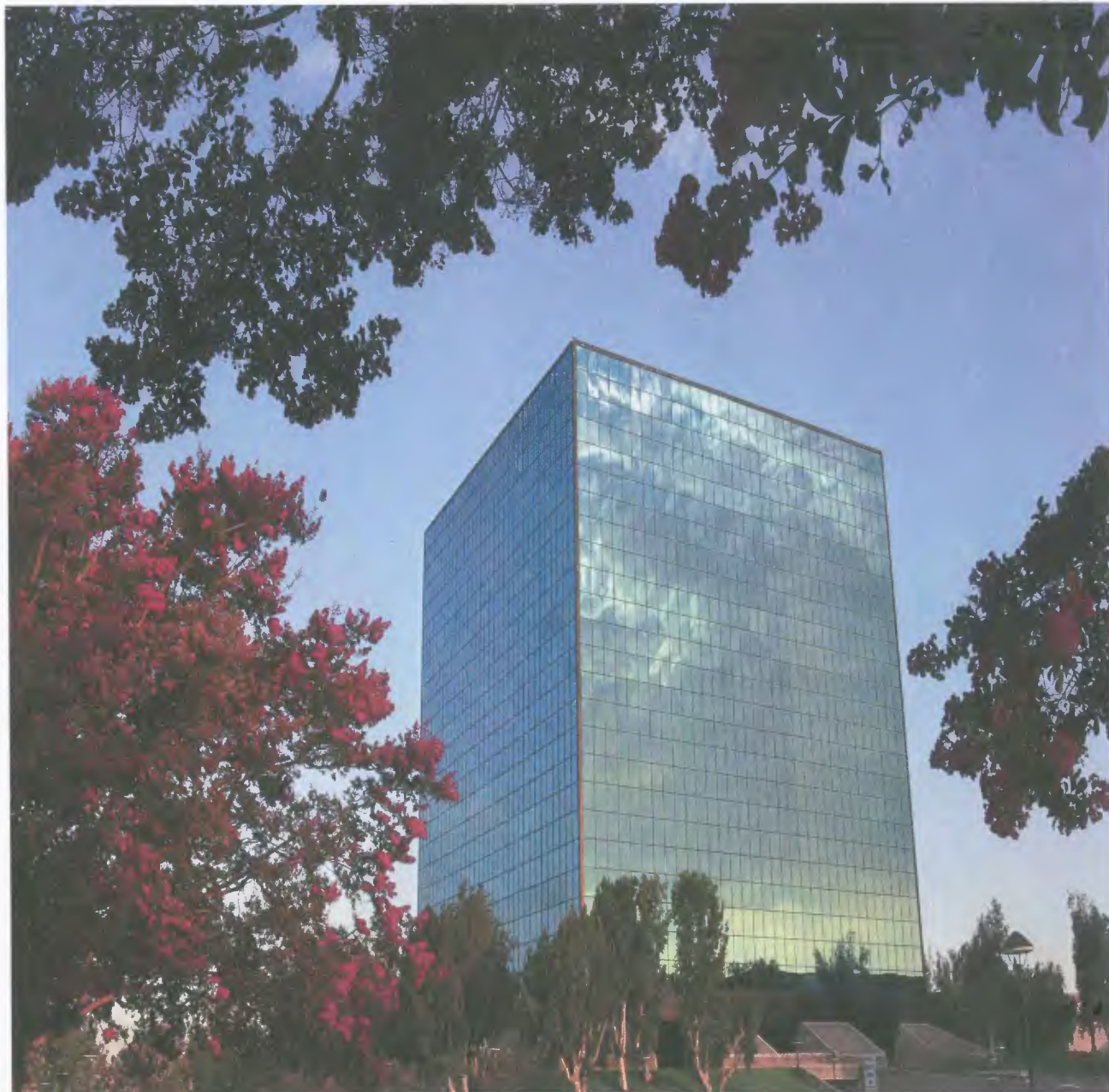
A contracted construction crew work during the final days of the two year project to remove sediment from the base of the Santa Anita Dam. The project was completed via a two mile conveyor belt, redistributing the sediment south of the dam with the construction crew strategically placing the sediment in the Santa Anita Spreading Grounds.

Declaration Barrier Water Independence Ceremony



Individuals from County of Los Angeles Department of Public Works, Los Angeles Department of Water and Power, West Basin Municipal Water District, and the New Water Supply Coalition, reluctantly toast with a glass of reclaimed water at the Edward C. Little West Basin Municipal Water Recycling Facility for the Declaration of Barrier Water Independence Ceremony.

Los Angeles County Flood Control District



**Tom A. Tidemanson Building
Public Works Headquarters**



**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT

MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

June 30, 2012

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
June 30, 2012**

TABLE OF CONTENTS

Transmittal/Management Letter	1
Required Communication	3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	6
Current Year Recommendations.....	8
Status of Prior Year Recommendations.....	9



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December 18, 2012

To the Honorable Board of Supervisors
County of Los Angeles, California

In planning and performing our audit of the financial statements of Los Angeles County Flood Control District (District), a component unit of the County of Los Angeles, California, as of and for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Having completed the annual audit of the District's records for the fiscal year ended June 30, 2012, we are pleased to report that there are no observations, recommendations, or suggestions at this time.

We have also included a letter to you, as required by professional auditing standards, which summarizes all communications with the governing body. We would like to thank the District's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the Los Angeles County Flood Control District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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December 18, 2012

To the Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the Los Angeles County Flood Control District (District), a component unit of the County of Los Angeles, California, for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements. As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2011, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The implementation of GASB No. 64 had no effect on the financial statements. All significant transactions have been recognized in the financial statements in the proper period.

We noted no transactions entered into by the District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the claims liability and the estimated historical costs and useful lives of capital assets. Management's estimate of the claims liability is based on estimates from the District's legal department, while the estimated historical costs and useful lives of capital assets are based on historical data and industry guidelines. We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no such misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the Los Angeles County Flood Control District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

To the Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the Los Angeles County Flood Control District (District) as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Los Angeles County Flood Control District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the Los Angeles County Flood Control District, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California

CURRENT YEAR RECOMMENDATIONS

No findings noted in the current fiscal year.

STATUS OF PRIOR YEAR RECOMMENDATIONS

No findings noted in the prior year.